



Poverty Alleviation

...Vision and Practice

NRSP 9th Progress Report
2001 - 2003



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...Vision and Practice

Contents

Preface	
NRSP Programme Area Map	
NRSP Organisational Structure	
Programme Overview	06
Measuring the Effectiveness of NRSP's Activities: The Union Council Approach	08
Programme Highlights 2001 - 2003	11
Social Mobilisation	11
Case Study: Arsala Khan Takkar, an honest and committed Activist	12
Micro Credit for Income Enhancement	13
Separating Micro Credit from Social Mobilisation	13
Urban Poverty Alleviation Programme	14
Human Resource Development at the Institute of Rural Management	14
Physical Infrastructure and Technology Development: Building Community Assets	15
Environment and Natural Resource Management	18
Social Sector Services: Health and Education for a Better Future	18
Education Initiatives	18
From Thumbprints to Signatures: Promoting Women's Literacy	18
The Q-EFA Operations Research Project	19
Northern Education Project in AJK	19
Water and Sanitation	20
Health Camps	20
Monitoring, Evaluation and Research	20
NRSP and Private Sector Partnerships	22
The Sugarcane Productivity Enhancement Project in Rahim Yar Khan	22
Munawer Memorial Hospital and NRSP Primary Eye Care Project	23
Heartfile Cardiovascular Disease Prevention Project	23
Working with the Poorest of the Poor: NRSP and the International Labour Organisation's Project for Former Bonded Labourers in Sindh	24

Public-Private Partnerships: Working with the Government to Alleviate Poverty and Improve Service Delivery	25
Working with Local Government on the Jhelum Pilot Project	25
Community Consultations on the Interim Poverty Reduction Strategy Paper	25
The Lady Health Worker Training Programme	26
Forming Community Citizen Boards	26
Training Elected Members of Local Government in Participatory Development	26
Khushhal Pakistan Programme	27
Expanding the Perspective: Training for Social Mobilisation in the Maldives	27
NRSP's Involvement in Large Scale Rural Development Projects	28
Conclusion	30
Statistical Profile	31
Audited Accounts	47
Board of Directors	71



Preface

We pay tribute to the men and women who have formed COs, and given their time and energy to ensure that local needs have been met. The CO members who are also Community Activists work tirelessly to bring ideas and improvements to fruition. Some have contributed to registering their COs as Citizen Community Boards while others have acted as village level specialists in agriculture/livestock, CO managers, Lady Health Workers and Village Education Committee members to provide a variety of services at the grassroots.

NRSP also gratefully acknowledges the contributions of donors and participants especially the Pakistan Poverty Alleviation Fund (PPAF) and World Bank, Punjab Government and Asian Development Bank, Learning for Life UK and DFID, UNICEF, ILO, CGAP and many others who have generously given funds and human resources to ensure the success of the activities described in this Report.

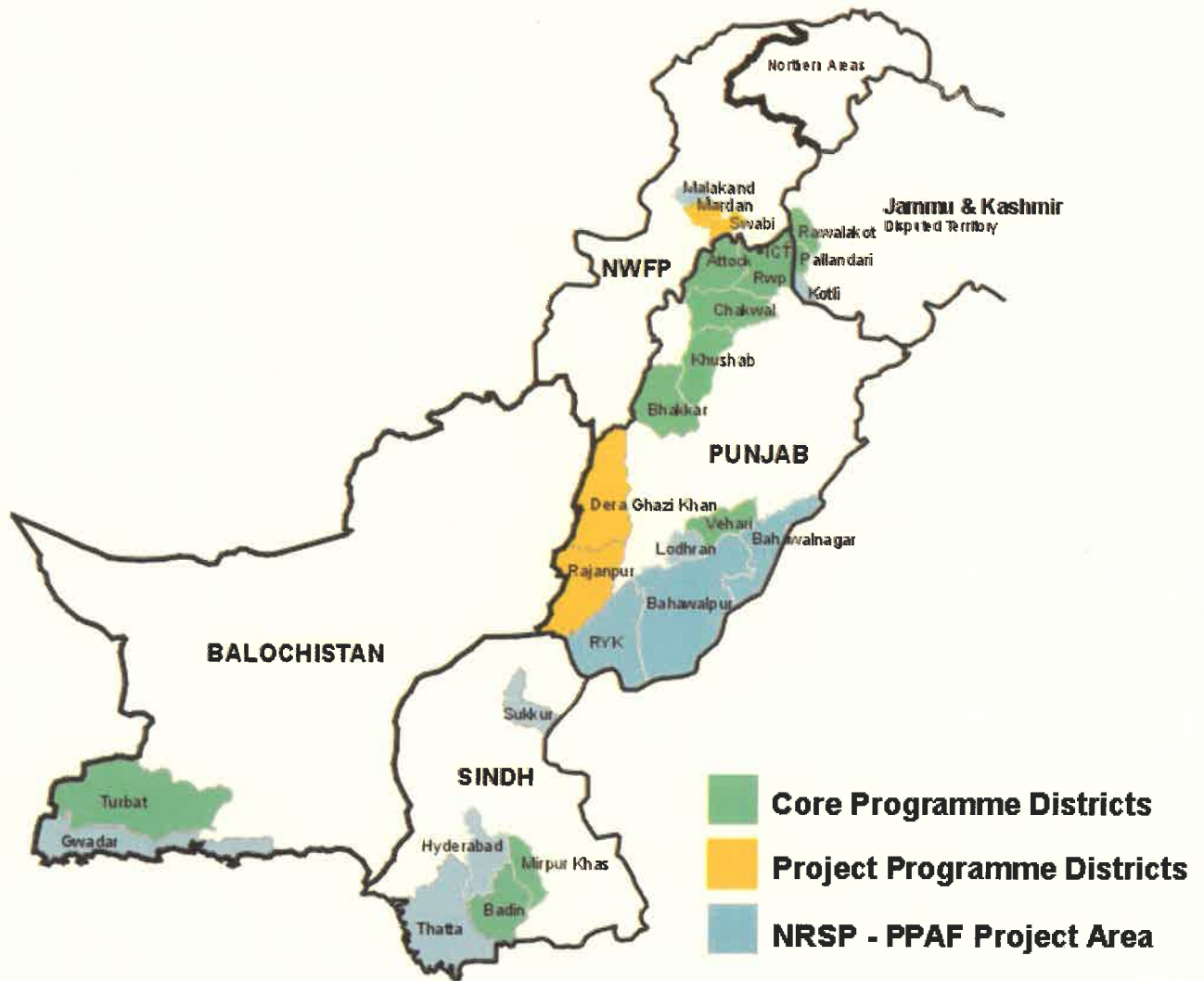
NRSP feels pride in having productive linkages with a number of government agencies which have made available their human resources and infrastructure for the COs. We are thankful to the training institutes of the Government of Pakistan for providing their infrastructure for training a large cadre of CO members in a number of fields. Thanks also to the Punjab Government for entrusting the role of facilitator to NRSP for the implementation of different projects such

as Dera Ghazi Khan Rural Development Project, Khushhal Pakistan project etc. A number of private agencies have also worked with NRSP during the year under review for building capacity of COs and their members. A list of Government and private agencies which have provided technical or financial support to COs is provided in Annexure A.

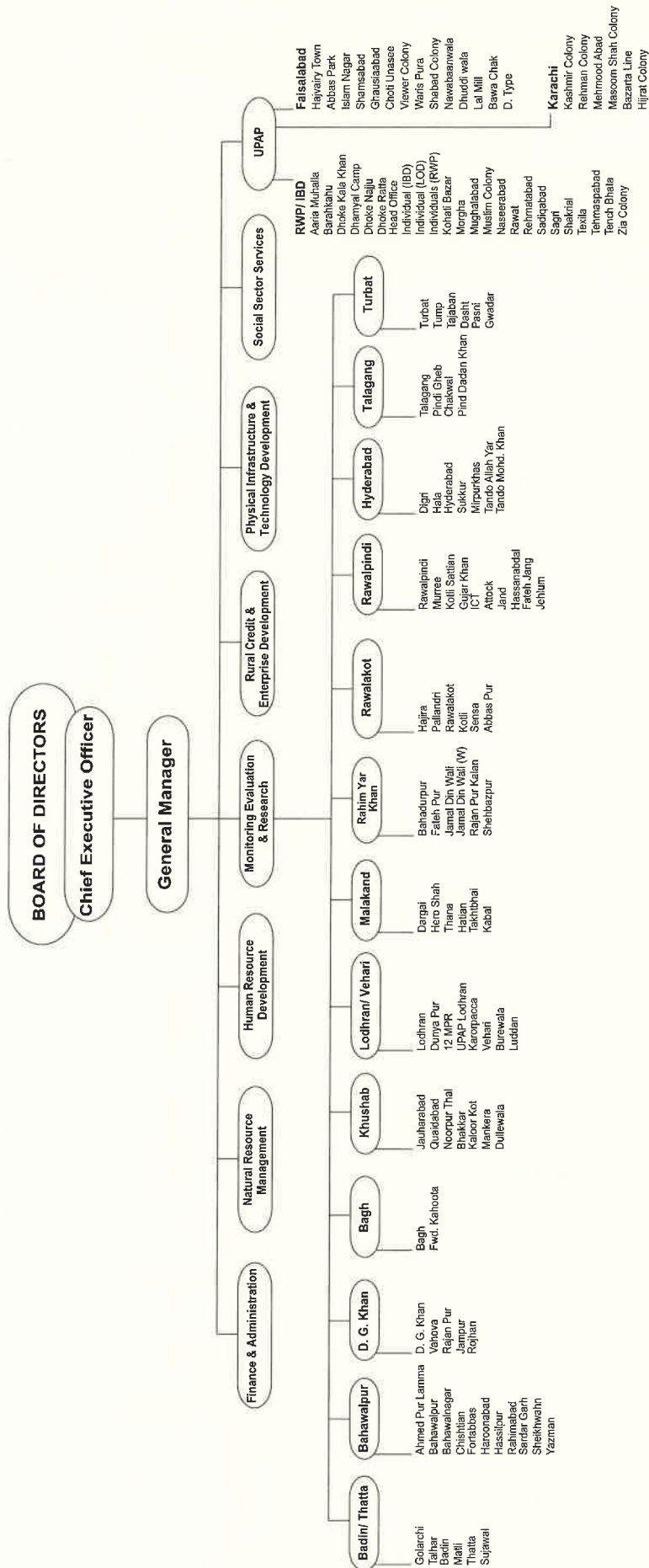
We acknowledge the institutional support, as well as the sincere efforts of individuals in those organizations, who have worked to alleviate poverty and expand the horizon of opportunities for the rural poor.

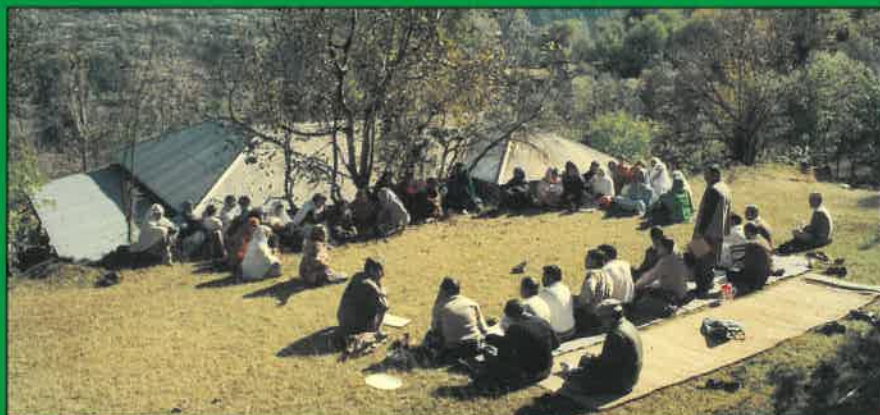
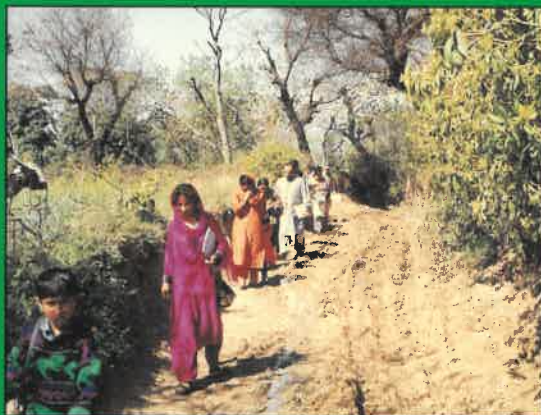
Dr. Rashid Bajwa
Chief Executive Officer

Current NRSP Area of Operations



NRSP Organizational Structure





Programme Overview

Reports on macroeconomics show that poverty in Pakistan has increased over the last decade. Governmental and non-Governmental agencies, both within Pakistan and outside, acknowledge that poverty is a multiplex issue, encompassing as it does economics, health, education, social status, employment and access to opportunities. The task of alleviating poverty is equally complex. People experience poverty in both relative and absolute terms: they also move into and out of poverty at various times and under various conditions. Many would argue that gender also affects the experience of poverty, with women facing numerous structural impediments to improving their situation.

This Report details NRSP's efforts to alleviate poverty in the period from July 2001 to June 30 2003. Poverty alleviation consists of increasing people's access to goods, services and opportunities; increasing people's ability to withstand the socio-economic shocks entailed in job loss, crop failure and illness, and expanding the horizon of opportunities to improve the quality of life. NRSP can point to the pooling of resources through social mobilization, income generation, accumulated savings, asset creation, the establishment of profitable enterprises, the creation of reliable and profitable links to the market, capacity building for better access to employment, reduced costs in health and the provision of educational services where they did not exist previously, as its contributions to

poverty alleviation.

As NRSP firmly believes in a participatory approach, it asks people to define poverty in their own terms and to let NRSP know what they need in order to reduce it. The participatory "wealth ranking" exercise begins with asking the residents of the geographical area selected for programme introduction a question. The question is: what is poverty and what are the indicators of economic status as understood by the people living in that area. People usually define poverty in relation to the factors that lead to increasing or reducing the economic standards of local people. Productive landholding is one of the major indicators that people consider for determining the economic status, but it is not the only one. In some places, the availability of water is more important than the size of landholdings. In other areas, people see living conditions - the type of house, ownership of other assets such as livestock, tube-wells and tractors - as the major indicators. For those areas that have urban features, people identify economic status according to the type of profession: for example, people belonging to low-status professions (cobblers, barbers and carpenters, for example) are considered to be poor. Labourers with irregular and uncertain incomes, including labourers with seasonally-fluctuating incomes, are considered the poorest amongst income earners. Those people unable to earn at all (the destitute, the aged, the physically or developmentally

NRSP's Vision for Rural Development

NRSP works to unleash the potential abilities, skills and knowledge of rural men and women, so as to enable them to articulate their aspirations and to effectively marshal the resources they need to meet their identified needs. The purpose is poverty alleviation - enabling people to break the cycle of poverty which begins with lack of opportunity, extends to the well-known miseries of income and nutritional poverty and leads new generations to endure the same conditions. The process is social mobilisation - in essence bringing people together on new terms for a common purpose. The conceptual tools are 'social guidance', advocacy, capacity building and awareness raising. The programmatic tools are training, support to institutions, micro-credit, infrastructure development, natural resource management and 'productive linkages'. Our purpose as an advocate for the poor is to bring the concerns of economically-marginal men and women to public consciousness and to affect policy so that the poor are brought into the mainstream of the economy.



Because NRSP believes that poverty reduction is not a one-time activity, it has devised strategies that help determine the type of activities that are required in order to combat poverty in its all forms. Moreover, NRSP is one of many actors responsible for reducing poverty: it recognizes that it cannot do everything that is required in order to reduce poverty. Thus NRSP has adopted a two-pronged strategy: on the one hand working to harness people's potential to do whatever they can do with limited resources, and on the other, attempting to access resources to channel them to the rural poor for effective use. For this purpose, NRSP links the Community Organisations with a number of service delivery agencies. For harnessing people's potential, NRSP uses the Micro Investment Plan (MIP) as the basis for determining the kinds of interventions that are required to reduce poverty. Each CO member prepares an MIP, indicating the kinds of activity he or she would like to be engaged in order to improve his or her economic activity.

handicapped) constitute a special case for poverty identification and alleviation programmes.

As NRSP has limited resources at its disposal, it welcomes any offer from a public sector institution to use the platform of COs for the effective delivery of their services. The COs have noted that many services do not reach the rural poor because of inappropriate or inefficient service delivery mechanisms: these inefficiencies lead to further deterioration of the economic status of the people. NRSP's most effective role here is to act as a bridge between the COs and the Government and private sector agencies.

Before determining whether NRSP has been effective in terms of reducing poverty, it is first necessary to identify the geographical areas where NRSP has been active for a reasonable time. While NRSP is currently present in 30 Districts (including the Islamabad Capital Territory), it has been present in 18 Districts for 5 years or more, working in 614 of the 923 Union Councils in the Regions where it works. In other Districts and Union Councils, NRSP has only recently begun its work. It would therefore be fair to take the Union Councils in which NRSP has been present for 5 years or more to determine NRSP's role in terms of reducing poverty.



Measuring the Effectiveness of NRSP's Activities: The Union Council Approach

To measure the effectiveness of NRSP's work in long-established Regions, NRSP's Monitoring, Evaluation and Research section has carried out numerous village-level studies. These internal studies have greatly helped the NRSP staff in determining the level and types of efforts necessary to achieve optimum results in terms of the depth and breadth of NRSP's activities. To assess the impact of the overall programme, NRSP plans to request third parties such as the World Bank to initiate an impact assessment of the programme. NRSP has also commissioned international consultants to review and analyse the outcomes of NRSP in relation to those major questions which arise in the minds of the stakeholders of NRSP and which establish the basis for a more detailed and rigorous evaluation. The findings of one such study,¹ some of which are discussed below, are an integral part of this Annual Report: it confirms that those people who have benefited from the programme have been able to increase their incomes and therefore their asset base.

In a major study published by UNDP Pakistan, also discussed below, it is very clear that the incomes of CO members have increased significantly and that their food intake has also improved. The Report provides a Province-wise ranking of the 105 Districts of Pakistan. According to this ranking NRSP works in some of the least-developed Districts:

3 of the 7 least-developed Districts in Punjab (Lodhran, D. G. Khan and Vehari) and 4 of the 6 least-developed Districts in Sindh (Mirpur Khas, Badin, Thatta and Dadu). In AJK, which has a different administrative system, all areas outside Muzaffarabad and Mirpur can be said to be economically under-developed. The Report notes that all Districts of Balochistan outside Quetta, Sibi and Ziarat are classified as 'least developed'. The only exception for NRSP is NWFP, where programme activities were initiated by NRSP as an Implementing Partner in the Swabi SCARP Project.

In a study conducted in 2000, Mahmood Hasan Khan posed three important questions about the RSP model: Are the RSPs cost-effective? Do the RSPs reach the rural poor? And do the RSPs make a difference in the standard of living (quality of life) of rural households participating in the Community Organisations (COs)?

He found that "... there are strong economies of scale with quantitative evidence of increased productivity of NRSP staff and cost-effectiveness in disbursing loans and in building the physical and social infrastructure." His findings clearly indicate that "... a) one-third to one-half of the CO member households are poor and (b) there is a 7.5% additional increase in income over non-members leading to significant economic impact on the participating households in terms of their total and farm income, total expenditure, savings, consumer durable goods, and children in school and it tends to increase with time and c) the annual (real) cost per CO

member fell almost every year from Rs. 4,599 in 1993 to Rs. 438 in 2002. A similar trend is observed in the nominal cost per CO member. The (real) unit cost of CO formation fell from Rs. 94,808 in 1993 to Rs. 9,253 in 1997-98; it rose somewhat in 1998-99, but kept on falling in the next four years, and was Rs. 7,371 per CO in 2001-02. These changes in the unit cost of NRSP operations indicate clearly that there are significant economies of scale."

In a survey of 360 [CO member] households, conducted in 2000, Khan identified the following characteristics, which led him to conclude that NRSP does reach the poor:

"The average household has seven members, with four adults and three children, and two workers.

- Ninety-two per cent of the households earn some income from farming and 62 per cent depend on 3-4 sources. The average monthly income is Rs. 965 per person. About 40 per cent of the households can be regarded as poor since their monthly income per person is not above Rs. 650.
- The average monthly expenditure is Rs. 893 per person and 46 per cent of the household expenditure is on food.
- The average value of household assets is Rs. 72,502 per person. Land and livestock are the major assets. Livestock is owned by 88 per cent of households, but 30 per cent of them are landless.
- The average household debt is Rs. 16,613. Two-thirds of the households borrowed capital during the reference year and one-half of them used it for production purposes. One-half of the value of loans is from relatives and friends."

¹ By Mahmood Hasan Khan of Simon Fraser University, Canada



The UNDP *National Human Development Report 2003: NGOs and Communities Striving for Poverty Alleviation* examined the performance of 7 NGOs in a 'spot survey'. NRSP is pleased to report that responses to 3 of the 4 questions show that NRSP performed the most successfully. The questions and results are reproduced below.

Did you and your family eat your fill?				
NGOs	Daily	Mostly	Sometimes	Seldom
KK	42.90	31.40	17.10	8.60
OPP	72.10	24.60	3.30	-
PIEDAR	66.70	12.50	14.60	-
NRSP	67.50	27.50	5.00	6.30
KASHF	73.70	40.50	9.50	-
OWP	40.60	21.10	21.90	4.80
ASB	40.60	37.50	5.30	5.30

Do you have more to eat now or earlier?			
	Have more to eat now	Have more to eat in earlier times	Equal
KK	28.60	40.00	31.40
OPP	27.90	42.60	29.50
PIEDAR	35.40	47.90	16.70
NRSP	65.00	17.50	17.50
KASHF	42.90	31.00	26.20
OWP	31.60	47.40	21.10
ASB	31.30	56.30	12.50

Is your family's health better now or earlier?			
	Health is better now	Health was better earlier	Equal
KK	20.00	60.00	17.10
OPP	19.70	39.30	41.00
PIEDAR	25.00	41.70	31.30
NRSP	50.00	12.50	37.50
KASHF	31.00	40.50	28.60
OWP	21.10	42.10	36.80
ASB	15.60	40.60	43.80

Did the loan result in sustainable increase in income?			
	Yes	No	Equal
KK	42.90	47.60	9.50
OPP	71.10	17.80	11.10
PIEDAR	56.50	21.70	21.70
NRSP	81.60	7.90	10.50
KASHF	66.70	33.30	-
OWP	-	-	100
ASB	53.30	46.70	-

Source: NHDRA-A.I. Hamid Spot Survey 2001

The Report notes that "... NRSP respondents pointed to greater agricultural productivity, higher yields, better supply of inputs and adoption of new techniques as the factors which had improved their income, consumption and health."

The improvements in health are particularly significant, given that the study found that "frequency of illness ... with resultant high cost of treatment is an important factor pushing marginal households into poverty and poor households into deeper poverty" (p.xi).



Case Study: Impact Assessment of Micro-credit in D.G. Khan

A study conducted by a graduate student at Faisalabad University's Faculty of Agricultural Economics in 2002 examined the relationship between credit, crop productivity and income in 85 farming households in D.G. Khan. 75 men and 10 women made up the sample. The average loan size was Rs. 17,050, with the average for men Rs 21,500 and that for women Rs 8,700. Since these were agricultural loans, farmers repaid them in a single payment at the end of the crop season. The study found that there was a significant statistical correlation between credit and income, home consumption and savings, all of which rose, as detailed below:

	Mean before credit	Mean after credit	Change	% increase*
Income	174,023	208,135	34,112	20
Farm expenditures	79,835	87,150	7,315	9
Consumption	70,421	81,500	11,079	16
Savings	2,200	8,250	6,050	275

*calculated by NRSP MER

The researcher found that a one percent increase in credit increased income by 4.98% and increased consumption by 1.14%. 73% of the respondents indicated that their crop production had increased as a result of having credit available for agri-inputs. For the remaining 27%, either the loan size or 'natural calamities' such as drought and pests accounted for the reported lack of change. 43% of those reporting an increase in crop production reported an increase in their level of income. Increased farm expenditures (reported by 42% of these respondents) and low prices for produce (58%) were cited as factors in the gap between the increase in income and increased crop production.

The micro credit enabled 43% of the respondent households to improve their economic status in terms of the RSPs' "poverty ranking". Of these households, 4 moved from 'better off' to 'well to do'; 13 moved from 'poor' to 'better off'; 15 moved from 'very poor' to 'poor'; and 4 moved from 'poorest' to 'very poor'. The credit was enhanced by training in 60% of the cases. All 10 women and 30 of the 75 men received training.

32% of the respondents considered the loan size to be smaller than required. CO members said that the loan size should be correlated to the amount required to purchase specific inputs, based on the holdings under cultivation, the amount of land in use for a particular crop, the cost of the inputs and the costs of the loan. The researcher notes that farm expenditures are increasing and that the upper limit of Rs. 30,000 for a single loan is not enough in many cases.

55% of the respondents considered the lending procedure ideal and 35% found it satisfactory. 15% found the recovery procedure ideal, 49% considered it satisfactory, and 27% found it unsatisfactory. The interest rate was found to be high by 44% of the respondents and reasonable by 47%. The means of repayment (i.e. lump sum loans repayable after 6 months) was considered ideal by 35% of respondents, satisfactory by 44% and unsatisfactory by 21%. Respondents also appreciated the fact that the credit was made available to them in their own villages. The study elicited a number of useful suggestions from respondents concerning the entire credit disbursement process.

Source: M.Sc. Thesis by Mr. Muhammad Asif Kamran



Programme Highlights 2001-03

This section identifies the major activities of NRSP's programme in 2001-2 and 2002-03. Full details of each activity, and the rationale for conducting it, are available in separate publications, available free of charge from NRSP's Publications Department.

Social Mobilisation

NRSP utilises social mobilisation as its primary means of supporting rural men and women in their efforts to alleviate poverty. Our experience shows that the CO is an important forum for empowering people to take an active role in the management of local development initiatives. The essence of the process of social mobilization is encouraging men and women to form a group, typically having 20-25 members, known as a Community Organization (CO). By 'social' is meant on the basis of common ground for a common purpose. A 'mobilized' community is one that is able to identify its needs and find the resources necessary to meet those needs. Those resources may be their own savings or labour, or funds or information from a Line Department. A CO is more than a collection of individuals: it is an entity whose members work for the collective good of the community.

A properly functioning CO has both social and economic 'value', both of which contribute to alleviating poverty. On the social side, it brings people together to work for the common good. On the economic side, the CO functions as a conduit for the micro-credit that households use to generate income, and

as a base for accumulating savings and putting those savings to work for community development. The CO also attracts funds for new activities, both through NRSP and through the links it establishes with Government Departments and with the private/corporate sector.

The Concept of Social Guidance encompasses the philosophy and the practice of social organisation. Based on people organising themselves into multi-purpose, broad-based community organisations, the process of social guidance includes identifying activists (i.e. men and women who have a progressive outlook and are willing to take on a leadership role) to help harness people's potential for action. The next step is to identify and prioritise the endeavours people are willing to undertake, in terms of opportunities and needs, which have to be provided by external agencies. It is then necessary to determine the social, technical and economic feasibility of those needs and opportunities, in terms of people's capacities, willingness, equity and sustainability. Identifying the required resources, and determining the availability of these resources, comes next, followed by securing and facilitating the flow of required resources. The final link in the chain is

to establish linkages between communities and other development agencies, such as Government development departments, District Councils, Union Councils, NGOs and Donors, and to monitor the effectiveness and sustainability of these linkages.

CO Formation 2001-03. On June 30 2003 there were 20,067 COs in 14 NRSP Regions. Of these, 12,176 were men's COs, 5,578 were women's and 965 had both women and men as members. There were in addition 1,348 Water Users' Associations (all male) in Mardan, where they are a longstanding feature, and in Bahawalpur, where they are new.

Throughout Pakistan 401,611 rural men and women belonged to COs as of June 30, 2003. However, the benefits of the spectrum of village-based activities they engage in reach many more. Our estimates suggest that close to 1.5 million people are covered by some aspect of an NRSP activity.

CO Savings. CO members saved a total of Rs 42.49 million in 2001-02, and Rs 98.56 million in 2002-03. In 2001-02, the savings accumulated by men's COs totaled Rs 30.72 million: women's COs savings totaled Rs 11.57 million. In 2002-03,



men's COs savings totaled Rs 65.36 million: those of women's COs totaled Rs 32.70 million. Savings constitute a 'safety net' in the event of job loss, crop failure or illness. Accumulated sums enable families to meet their financial and social obligations without going into debt. CO members also use their savings to

contribute 20% of the cost of Community Physical Infrastructure schemes, to pay the salaries of teachers in community schools, to invest in diverse enterprises, to expand their businesses, to improve their homes and to send their children to good schools.

Case Study: Arsala Khan Takkar, an honest and committed Activist

Almost two years have passed since we lost Mr. Arsala Khan Takkar, an honest and committed social worker and a dedicated activist. Mr. Khan was a resident of the Village of Takkar, located near the famous town of Takht Bhai. He owned 12.5 acres of irrigated lands.

Arsala Khan volunteered to join hands with NRSP – ADC to carry out social mobilization activities in his village. His efforts inspired the 150 irrigators who belonged to his WUA to convert their watercourse into a Minor and to construct new watercourses. Arsala Khan contacted and convinced each irrigator on the watercourse of the value of the new scheme. It would not have been possible to initiate or complete the scheme without his devoted efforts. He learned Community Management and Leadership Management skills from NRSP, after which he devoted all of his time to community development activities. He believed that the participatory approach was the best possible solution for addressing the problems of under-developed rural communities.

Arsala Khan was a founding member of a cluster organization formed by the WUAs of the ADC project. Its purpose was to undertake initiatives for the development of farming communities like his own. It was challenging to organise farmers from different areas and political backgrounds to think, plan and act together. He and his colleagues were able to give this organization a structure and general framework of action in only six months. They were able to turn the organization into a developmental forum without any political bias. This organization held successful elections in all the field units of ADC Swabi SCARP: Arsala Khan was unanimously elected as the first President of the organization.

For the first time the organization was represented in the vigilance committees formed to monitor the purchase of tobacco from farmers. They also started a fertilizer agency to supply quality fertilizer at rates lower than the market rate to Swabi SCARP WUA members. This organization later served as the base for the establishment of a Farmer's Support Unit (FSU) in the field units. The FSU was designed to produce and distribute high quality seeds on a commercial basis, at the local level. It was also designed to initiate the joint purchase and marketing of products by farmers.

Arsala Khan is no more with us, but his work and contribution in this area and his own village will always be remembered. He did all this without expecting any reward or personal gain. May his soul rest in peace. Ameen!

Source: Swabi Scarp Final Report



Micro Credit for Income Enhancement

NRSP is Pakistan's largest micro-credit institution. Credit is disbursed through the Rural Credit and Enterprise Development (RCED) section and through the Urban Poverty Alleviation Programme (UPAP). RCED, with a portfolio of 75,571 active loans worth Rs 705,070,033 as of June 30, 2003, has disbursed a total of Rs 4,067,249,067 since the inception of NRSP. UPAP has disbursed a total of Rs 205,869,569 since it was founded in 1996.

Of the Rs 527,560,379 disbursed by RCED during 2001-02, 86.47% was disbursed to men and 13.53% to women. Agricultural inputs accounted for 64.36% of the total disbursed: of this men were granted 96.39% of the total and women 3.61%. Livestock development accounted for 24.17% of the year's total. Of this, 63.14% went to men and 36.86% to women. In enterprise development the percentage in relation to the total disbursement was 10.05%, of which 77.53% was disbursed to men and 22.47% to women. Small infrastructure individual enterprise accounted for the smallest amount, at 1.42% of the total. 97.24% of this was disbursed to men and 2.76% to women.

The figures for 2002 - 03 show similar trends. Of the total credit disbursed during 2002-03, amounting to Rs 797,580,220, 85.13% was disbursed to men and 14.87% to women. Agricultural inputs accounted for 65.62% of the total

credit disbursed: of this men were granted 96.40% of the total and women 3.60%. Livestock development accounted for 22.36% of the year's total credit disbursed. Of this, 57.69% went to men and 42.31% to women. In enterprise development the percentage in relation to the total disbursement was 10.94%, of which 72.31% was disbursed to men and 27.69% to women. Small infrastructure individual enterprise accounted for the smallest amount, at 1.08% of the total. 98.2% of this was disbursed to men and 1.8% to women. The largest differences in gender-wise disbursement were in livestock development, with women's participation rising by 5.4%.

Separating Micro Credit from Social Mobilisation

The RCED micro-credit programme is being separated from the social mobilisation activities. This shift contributes to improving the quality of the COs and the quality of NRSP's loan portfolio. It also leaves the social organisers more time to accomplish three important activities: supporting the COs in their training, health and education activities, moving into new communities, and enabling COs to establish themselves as CCBs.

The new model was finalised after successful pilot testing: its principles are derived from the Urban Poverty Alleviation Programme. The new model has adopted a set of principles which embody internal checks and balances in

the system to ensure compliance with established policies and procedures. The principles are:

- that CO formation and credit delivery are two distinct processes which must take place independently of each other
- that only those COs should have access to the rural credit programme which are recognized by the Rural Credit section as viable institutions. For this purpose, the Rural Credit section will register the COs with NRSP, rather than the person who formed the CO.
- that the credit should always reach the intended client, who must acknowledge receipt of credit from NRSP
- that the staff responsible for credit should be able to focus exclusively on credit operations and should be able to implement a strategy that leads to 100%, on-time recovery
- that the organisational structure, such as location of offices and staffing patterns, should make it possible to pursue clients effectively
- that the entire process should be more transparent
- that all credit disbursement and recovery activities should be implemented in a planned manner
- that the system should allow performance-evaluation of staff on the basis of performance of the COs they form, and the credit staff on the credit outreach and the quality of the loan portfolio.



In the new setup, one-room Village Branches are established at appropriate locations, typically at the centre of one or more Union Councils. The location and number of VBs in a Union Council is determined by the size and proximity of the potential clientele. The VB is the smallest administrative unit responsible for coordinating with the COs and their members on a daily basis. It is also a recovery-collection hub.

Urban Poverty Alleviation Programme

In the period under review, UPAP expanded within Rawalpindi/Islamabad and opened new offices in Faisalabad and Karachi. There are now 20 UPAP offices in Rawalpindi/Islamabad Capital Territory, 12 in Faisalabad and 6 in Karachi. Although the majority of clients are women, it is understood that in many cases, male family members utilise the loans. This is acceptable so long as the loan is used for income generation that benefits the family.

UPAP disbursed credit to 5,808 clients in 2002 and to 9,062 clients in 2003. Since its inception UPAP has disbursed credit to 19,866 clients. The cumulative amount disbursed stands at Rs 205,869,569. The cumulative recovery rate is 99.86%.

UPAP reaches the urban poor who have no means of entering the formal credit market. Borrowing from moneylenders drives the urban poor ever more deeply into debt. The monthly per capita income of UPAP clients taking a loan for the first time is very low. 13% earn Rs 500 or less, 48% earn between Rs 501 and

1,000; 26% earn Rs 1001 to Rs 1500 and 9% earn between Rs 1501 and Rs 2000. Only 4% of the clients earn more than Rs 2000 per month.

The number of borrowers who have taken successive loans (i.e. repaid a loan and taken another loan) from UPAP is increasing over time. This demonstrates that clients feel that they are benefiting from the credit and that UPAP is integrating its work in current settlements. 26.99% of borrowers (8,538 clients) have taken a second loan; 6.49% (921 clients) have taken 3 loans; and 1.75% of borrowers (269 clients) have taken 4 loans, while 56 clients (0.38%) have taken 5 loans.

UPAP disbursed a total of Rs 60,288,500 in 2002 and Rs 93,437,500 in 2003. Through UPAP credit, 10,804 men and women have established small businesses that provide their households with a steady income. Details of the most popular kinds of enterprises in which UPAP members invest are provided in the Statistical Profile.

Human Resource Development at the NRSP Institute of Rural Management

An extremely important aspect of poverty alleviation is creating a wider 'context of opportunity' for the rural poor. Bridging the gap between the demand for gainful employment and the skills required to enter the labour market is a vital part of widening opportunities for the rural poor.

NRSP's Institute of Rural Management, which is responsible

for Human Resource Development, trained 42,630 community members in 2001-02 and 36,274 in 2002-03. These training programmes were distributed across all sectors, including natural resource management, vocational and occupational training and community management training skills. In addition, numerous seminars, workshops and exposure visits were held, all focused on aspects of social mobilization and community development. Another important aspect of the IRM training programme is that conducted for the staff of the RSPs, for members of Government Departments and for elected Government officials.

During 2002-03, IRM arranged to have some of the training programmes conducted by the Regional Offices. This was accomplished in part by training "master trainers" locally, to ensure that the programmes are consistent with existing IRM standards. Regional training is more cost-effective for NRSP and it makes the training programmes more accessible to rural men and women.

Table 11 in the Statistical Profile identifies these regional training activities for the first time. A summary of the Training activities for community members, excluding refresher courses and workshops, is given in Table 1, below. Full details of the Staff and Community training programmes for 2002 and 2003 are provided in Tables 8-11 of the Statistical Profile.



Physical Infrastructure and Technology Development: Building Community Assets

Community members consistently identify the need for improvements in the provision of water for agriculture, livestock and household use. Water is critically important for livelihoods yet can be very costly for the poor. Minimising water losses is important, as is devising ways and means to maximise the cost-effective use of available water. The implications for health, of water that is not fit to drink, are well known, as are the human costs of spending large amounts of time in carrying water long distances.

Once communities identify the need for a physical infrastructure scheme, NRSP's Physical Infrastructure and Technology Development section carries out feasibility studies relating to technical, financial and environmental issues. The aim is to ensure that communities will be able to meet their commitments of resources and assume responsibility for the operation and maintenance of the schemes. It is also necessary to ensure minimal environmental impacts. Social Organisers work with community members to make sure they have the financial and managerial resources to implement and maintain the scheme.

Since 2000 the majority of the funding for PITD community-based schemes has come from the Pakistan Poverty

Alleviation Fund (PPAF). In all of these schemes, community members contribute at least 20% of the cost, and assume responsibility for the operation and maintenance of the schemes.

Schemes implemented in 2002 and 2003 focussed on water supplies, agriculture, communication (i.e. roads), sewerage and drainage. PITD engineers in every NRSP region have helped communities to construct water harvesting structures (ponds, reservoirs, wells); to line watercourses so as to minimise water losses; to install lift irrigation schemes where these are technically feasible, to rehabilitate community-operated *karez*es in Balochistan, and to build water storage and flood protection bunds.

PITD engineers also built roads linking remote villages to main roads. This latter activity brings economic and social opportunities to communities: for example, people pay less for goods and services, opportunities to market their farm and other produce are greatly expanded and their access to medical care is increased. Opportunities to attend school and to find employment are also increased.

In 2001-02, 53,002 households participated in schemes which had a total value of Rs 110,022,623. In 2002-03, 14,790 households participated in schemes which had a total value of Rs 63,770,831.

In *karez* development NRSP had participated in 112 schemes as of July 2002, benefiting over 13,000 households. The total cost of the projects was Rs 21.5 million, of which the participating COs contributed 35% (Rs. 7.5 million). Funding for these projects came from NRSP, UNDP and PPAF.



Table 1: Training Programme Summary

	2001-02			2002-03		
	Men	Women	Total	Men	Women	Total
Community Management	6728	2172	8450	3975	2261	6236
Natural Resource Management	2825	1810	4635	2029	1893	3922
Social Sector Services	182	248	430	111	290	401
Physical Infrastructure and Technology Dev't	1279	119	1398	1536	175	1711
Enterprise Development	6	0	6	4	0	4
Vocational Training	1497	1302	2781	1408	3003	4411
Occupational Training	566	11,757	12,323	27	2976	2994
Appropriate Technology				30	0	30

Source: IRM

Table 2: Summary of Completed PITD Schemes

Region	No. of schemes completed in 2001-2002	No. of schemes completed in 2002-03
Rawalpindi	99	67
Khushab	124	11
Rawalakot	41	39
Badin	24	19
Turbat	34	24
Hyderabad	27	14
Malakand	7	7
Lodhran	13	10
D.G.Khan	1	6
Bagh	-	6
Thatta	-	9
Total	370	206

Source: PITD



PITD closely monitors the progress of every CPI scheme. The monitoring begins with a feasibility study, and extends to checking the quality and cost of the material inputs and the construction work. Keeping accurate records is vitally important: NRSP and the CO's records are checked independently of each other to ensure they are correct. Regional and Head Office engineers regularly check expenditures against estimated costs. It is also important that the actual work done conforms to the Project Digest. For example, the length of a watercourse rehabilitation or the size of a diesel engine housing structure must be exactly the same as indicated in the work plan. The following Table gives an example of some of the content of an Engineer's Assessment visit. The Phase number in brackets refers to the PPAF funding phase under which the project was carried out.

Been Deen Watercourse (Phase IV) Field Unit Sardar Garh	<ul style="list-style-type: none"> Some extra length of watercourse has been constructed. Although the extra cost has been borne by the CO, the engineer has been advised that extra work should not be permitted in future and the CO should remain confined to the drawing and design given in the Project Digest. If changes are required according to site situation, approval should be sought prior to its implementation. The record of the project has been maintained at both CO and Field unit levels. The CO contribution has been ensured and the bank receipts are available.
53-NP Lift Irrigation (Phase IV) Field Unit Bahadur Pur	<ul style="list-style-type: none"> The work was in progress at the time of visit. Some changes in watercourse design have been done according to site situation. The Engineer has been advised to be more precise during survey of the projects to avoid the need for changes. The record of the project has been maintained at both CO and Field unit levels. The CO contribution has been ensured and the bank receipts are available.
Bastii Gulam Sarwar Indher Lift Irrigation (Phase IV) Field Unit Rahim Abad	<ul style="list-style-type: none"> The project has been completed and was functional at the time of visit. Room size and hose size has been changed according to site situation. Engineer has been advised to avoid the changes in future. The quality of work was good and the record of the project was available and CO contribution has been ensured.
Basti Fateh Muhammad Lift Irrigation (Phase IV) Field Unit Rahim Abad	<ul style="list-style-type: none"> The work on watercourse was in progress at the time of visit. Back filling of watercourse needs improvement. Some suggestions in this regard have been given to the field engineer. The record of procurement is well maintained at both CO and field unit levels. The CO has deposited the contribution in their bank account.
Basti Noor Muhammad Lift Irrigation (Phase IV) Field Unit Ahmed Pur Lama	<ul style="list-style-type: none"> The project has been completed satisfactorily and was functional at the time of visit and the quality of work is good. The record of procurement at field unit level is well maintained but the CO record could not be checked.
Chak-89-F Watercourse (Phase IV) Field Unit Hasil Pur	<ul style="list-style-type: none"> The brickwork was in progress at the time of visit. Joints were not being filled properly and back filling needs improvements so some instructions have been given in this regard. Procurements were properly documented.
Bismillah Lift Irrigation (Phase IV) Field Unit Chishtian	<ul style="list-style-type: none"> The project has been completed and was functional. Room size has been increased because of the large size of diesel engine. Engineer has been advised to provide the room size according to size of diesel engine in future. The quality of work was good. The procurement record was well maintained.

Source: PITD



Environment and Natural Resource Management

Environmental degradation is a chronic and expensive problem for the rural poor, most of whom depend directly on agriculture, livestock, horticulture and orchard management for their livelihood. Whether it occurs naturally or as a result of human intervention, environmental degradation threatens the livelihoods of the rural poor. Similarly, poverty has negative environmental effects when the poor must resort to unsustainable practices - cutting down trees and polluting water supplies, for example - in order to survive. In many parts of the country environmental degradation has created a new class of poor people - those whose resource-based livelihoods have been destroyed.

All of NRSP's Environment and Natural Resource Management (ENRM) activities are focused on improving soil quality, reducing farmers' losses, adding value to inputs and increasing productivity and profitability. Many CO members have learned new techniques for planting, harvesting and processing, all aimed at improving crop yields. Many farmers have learned how to grow new crops which increase the profitability of their land and labour. Many others have been able to retain control of their assets and resources, as a result of increased profitability. A valuable activity is improving the inputs used by farmers. For example, seed banks have been established in a number

of NRSP Regions: these allow farmers to plant high-yielding crops.

Learning how to optimise the use of chemical fertilizers, and to use organic fertilisers when appropriate, also saves farmers money and contributes to improving the soil. Preventing soil erosion, especially important in areas such as Rawalakot, also makes a significant contribution.

In 2002, 4,635 CO members (2825 men and 1810 women) participated in an NRM-related training programme: the figure for 2003 was 3,922 CO members (2029 men and 1893 women). In addition, 10,503 CO members (8296 men and 2207 women) took part in NRM-related workshops. These are one-day events focused on such things as soil management, crop improvement, land preparation, fertilising techniques, and livestock management - all focused on improving productivity and reducing losses. In 2002-03, 5246 men and 2543 women participated in these workshops. The advantage is that these workshops are held locally and address very specific regional issues.

Social Sector Services: Health and Education For a Better Future

Education Initiatives

NRSP's involvement in childhood education consists primarily of establishing 231 Community Schools and working to ensure that the schools provide high quality education. The funding agency from 1998 to 2002 was LfL, a British NGO. NRSP continues to support the schools and is searching for sustainable funding sources. The fundamental issue addressed by the schools is that of providing access to good education for the children of the rural poor. The combined enrolment in the 231 schools was 12,428 (6,119 boys and 6,309 girls) in June 2003.

From Thumbprints to Signatures: Promoting Women's Literacy

NRSP has established 24 Adult Literacy Centres, 5 in Turbat (115 participants), 13 in Badin/Thatta (82 men and 71 women) and 6 in Rawalpindi Region (112 women). Altogether, 380 people have achieved functional literacy through these programmes.

Each literacy programme lasts for approximately three months, with classes lasting 3 hours per day. Community members pay Rs 10 per participant per month and provide the space for the Centre. NRSP contributes Rs 800 for the teacher's salary and



donates Rs 1500 for stationery supplies. When the actual and imputed costs (i.e. Rs 500 per month for the premises donated by participating COs) are added together, they total Rs 15,590 per Centre.

The programme was established to encourage women to send their daughters to school, once they themselves have first-hand experience of the benefits of education; to minimise the risk of being cheated, and to promote self-respect. It is hoped that this last point will lead to increased women's participation in the Government's devolution plan at the District level.

The Programme enables people to read the Urdu alphabet and to recognise basic numerals: graduates are able to write their own name, their husband's name and the names of their Union Council and District. The teacher administers a test on the last day of the programme, with a Government teacher serving as an external auditor.

The Q-EFA Operations Research Project

An MoU was signed between the District Government, NRSP and JDW Sugar Mills, in July 2002, with the objective of managing primary schools in one Union Council – Rasoolpur - for three years. Rasoolpur consists of 9 villages with a population of 29,825. There are 26 boys' primary schools and 17 girls' primary schools. 36% of school aged boys and 79% of girls are out of school. The main objectives are to improve the quality of education and to make education

accessible to all. This will be accomplished through new strategies for the education system, increasing enrolment and reducing the number of school dropouts.

One aspect of the Programme involves improving the physical infrastructure of the schools. 37 schools have been surveyed, with Terms of Partnership agreements signed with 31 schools.

NRSP is responsible for the monitoring and improvement of the quality of education, as well as the administration of the schools. There is now continuous monitoring of students' performance. Student enrolment in the area has increased from 2020 students in September 2002, to 3,117 in June 2003. Six teachers have been appointed by NRSP: the District Government has appointed nine teachers.

Northern Education Project in AJK

Initiated in 1999 in Azad Kashmir with assistance from the World Bank, the Northern Education Project's purpose was to establish institutional links between the Department of Education and community members for the purpose of improving the management of elementary education. The Pilot Phase of the NEP, conducted in Rawalakot and Hejira (District Poonch), ended in June 2002. The NEP project was an excellent example of capitalising on social mobilisation and linking communities with the Department of Education to solve pressing

The low social and economic status of rural women and their significant contribution to the household and village economies in most areas of Pakistan are well known facts though not as well documented. It is generally agreed that their concerns and problems should be integrated into all rural development plans and programmes since their equal partnership with men alone can ensure a balanced development of society. Field visits have shown that the oft-cited constraints on women's involvement in the development process can be overcome. There has been significant progress in terms of changes in the attitudes of men to gender segregation, as is evident from the growing demand for education for girls. Education can and will make a big difference in the lives of women as well as in their relationships with men as equal partners. Similarly, with the rapid expansion of male education in the villages, there are clear signs of change in attitudes to the protection of female health and family size. It is fair to say that in many rural communities the constraints on female education and health care are on the supply and not demand side.

Mahmood Hassan Khan 2003



community-development issues. NRSP was responsible for implementing the component identified as “Increasing Community Participation in Education”. The main objectives of this component were to organise parents and teachers by forming School Management Committees for 150 government primary schools and to supervise the construction and renovation of schools and to maintain school buildings

Water and Sanitation

NRSP and the United Nation Children’s Emergency Fund (UNICEF) signed an agreement on February 1, 2002 under the “Water, Environment and Sanitation programme and the ‘Community Self-reliance Punjab’ project. In line with UNICEF’s country programme, there are two aspects of the school sanitation project: one was sanitation conditions and the other was the promotion of the conditions necessary to prevent water and sanitation related diseases. British Airways provided funds for the water and sanitation related activities. The project worked in three NRSP field units: Talagang (in Chakwal), Pind Dadan (in Jhelum) and Murree.

NRSP and UNICEF joined forces in activities related to awareness raising and capacity building of project staff concerning hygienic and sanitation conditions and diseases. They also worked together on activities related to implementing the project, selecting schools, and mobilising school councils.

NRSP trained teachers, installed hand pumps and latrines, trained the caretakers, monitored all project activities and created awareness on hygiene and sanitation among teachers, students and community. Participating COs functioned as local-level implementing agencies, taking on the primary responsibility of building a hygienic society. Many CO members constructed low cost latrines in their homes. 140 one-day ‘sanitation’ camps were held in three Tehsils.

Health Camps

Health Camps are held periodically to provide CO members with affordable preventive and curative care. These Health Camps are beneficial wherever they are held, but particularly so in remote areas. The process is one of perceiving a need and filling in the ‘gaps’ in service delivery. As health-related needs become evident, the Regional Programme Officers contact the District Health Officer to request that the Health Camp be held. CO members, their families and other village residents are invited to attend. NRSP provides the necessary logistical support (often, a vehicle and driver) to the medical practitioners and, if necessary, pays for medicines and supplies. On occasion, referrals are made to local Government hospitals.

In 2002 – 03, 3,712 men, women and children attended 55 Health Camps. Five were held in D.G. Khan (639 participants), 28 in Khushab

(1,033 participants), 4 in Lodhran (308 participants), 11 in Rawalpindi (842 participants), 5 in Turbat (600 participants) and 2 in Rawalakot (290 participants). The health issues addressed included: hygiene, gynaecological and obstetrical care, maternal health, blood pressure, family planning, eye health and cataract screening, malaria and TB.

Monitoring, Evaluation and Research

The three activities identified as MER responsibilities all aim to ensure that the ongoing activities of the NRSP programme are carried out effectively in relation to established targets and according to the programme guidelines, i.e. building on social mobilisation, ensuring that development schemes are being implemented properly, reaching rural men and women who are poor, and building the capacities of CO members.

Some activities require that MER investigate new areas of intervention; others inform the wider development community, in Pakistan and elsewhere, about NRSP’s activities. For example, MER wrote and produced two video documentaries during the year 2002-03: one on the Jhelum Pilot Project and the other on the karez in Balochistan. The latter was presented to the Asian Development Bank and was shown in the ADB booth at the South Asia Regional Water conference in Dhaka in November 2002. The full study was



presented at the Asian Development Bank's 'Water and Poverty' session at the Third World Water Forum in Kyoto in March 2003.

MER designed a Management Information System for Social Mobilisation: it captures the essential features of all NRSP activities. It is in use in the Gujjar Khan and D.G. Khan Regions and will eventually be expanded to every Region. MER staff also created an MIS for the Institute of Rural Management: its purpose is to track every aspect of the training programmes.

MER wrote and published a set of instructions (*hidayat-nama*) for COs and activists. Its purpose is to clarify the financial and program procedures for CO operation and make these procedures transparent. Every NRSP office now displays a copy of these instructions, which are written in Urdu. A somewhat similar endeavour was the Rural Credit Programme Manual, published to make credit delivery and recovery consistent across the entire programme and to ensure that responsibilities are understood by all parties. Guidelines for Social Appraisal, also in Urdu, were designed, printed and given to field teams.

Two Project Support Units are located within MER: these are responsible for the accurate and timely reporting of activities for the BVDP and PPAF programmes. The PPAF PSU is presently involved in a World Bank study titled Periodic Review of RSPs being conducted by the Pakistan Institute of Development Economics. When PPAF

was initiating social sector activities, the PSU provided baseline data from five villages in 50 Field Units of the NRSP-PPAF project area.

MER's Social Audit ensures that NRSP's interventions reach the intended beneficiaries and that the procedures for activities are in accordance with the guidelines established by the Head Office.

MER has written a number of project completion reports in the last two years, most of them for donors. One of these was for the Khushhal Pakistan Programme and another was for the National Education Project.

MER has also been engaged in a number of research activities. One of these, the Situation Analysis, is a precursor to programme activities in a new area. Because it contains current data, this is a useful complement to the Census reports and other data about a locality. A Situation Analysis conducted in Badin for the "Farmers' Participatory Saline Agriculture Project in Pakistan" is one example of this activity. Another assessed the situation of Internally Displaced Persons (IDPs) near the Line of Control in Azad Kashmir. That Report was submitted to the International Rescue Committee and relief supplies were distributed on the basis of its findings. A Situation Analysis of Union Council Bokan (Tehsil Jhelum) preceded the initiation of the Jhelum Pilot Project described in this Report.

In May 2003, MER initiated a Summer Intern Programme in conjunction with Quaid-i-Azam University, the Agricultural University in Faisalabad and two private universities. 25 men and 6 women spent up to three months learning about NRSP and observing the practice of participatory development.

In the first endeavour of its kind, a medical student from the Nuffield Institute in Leeds (England) came to NRSP to conduct a study of the effects of food diversity (as distinct from the actual amount of food) on malnutrition in young children. She measured the height and weight of 138 weaned preschool children of CO members in the Rawalpindi region and interviewed 20 mothers in order to learn about the prevalent feeding patterns. She found that "food diversity does indeed have an effect on malnutrition" and that low food diversity correlates with low BMI. This study will be a valuable part of NRSP's efforts to focus on health and nutrition in the future.

MER is also responsible for writing proposals for some of the new activities being conducted, and securing the requisite funding for these. The 'bonded labour' advocacy initiative being jointly conducted by NRSP and the ILO (described in this Report) began with a proposal which originated in MER and has now achieved full-fledged Project status. MER was also closely involved in preparing a proposal to extend the funding for the Learning for Life programme which supports NRSP's community schools.



NRSP and Private Sector Partnerships

The Sugarcane Productivity Enhancement Project in Rahim Yar Khan

In Rahim Yar Khan, an innovative Project intended to improve the productivity and profitability of sugarcane grown by over 4,000 small landholders is now in its 3rd. year. The Project's partners are NRSP, J.K. Agri Solutions Ltd. and Jamal Din Wali Sugar Mills Ltd. Project members now grow sugarcane on almost 10,500 acres of land. Members of 292 COs have saved a total of Rs 4,305,281, averaging Rs 14,744 per CO and Rs 1,056 per member. During the 2003 season the number of farmers taking credit grew to 3,202. Micro credit amounting to Rs 56,086,500 million was disbursed to members of 264 COs, with an average loan amount of Rs 17,516. The average amount disbursed to each CO was Rs 212,449.

An 'effectiveness survey' of 104 farmers in 26 COs (covering 9 Union Councils and 16 mouzas) showed tremendous increases in sugarcane yields between 2000 and 2003. 112 farmers (80% of those surveyed) increased the amount of land they leased and 43 farmers (5%) were able to buy more land. The total farm size of those surveyed increased by 7%. Sugarcane grown on leased land increased by 291%: that on owned land by 229%. The total sugarcane grown

under the Project increased by 244% overall, while the average yield (in maunds per acre) grew by 16%.

In the Women's Urban Credit Programme in Jamal Din Wali 461 women have formed 56 COs. They have saved a total amount of Rs 484,377, averaging Rs 1,051 per member. The total credit disbursement stands at Rs 5,275,000.

Participants have benefited in several ways. They are guaranteed a market for their crop; they are paid on time, and they learn how to produce optimal crops from their land. They are also invited to take part in adult literacy classes organised by the National Commission for Human Development. The opportunity to register their COs as Citizen Community Boards is made available to the larger, well-established COs. The mechanism for implementing Community Physical Infrastructure projects described elsewhere in this Report is also available to these farmers. Farmers have contributed 5% of the cost (through a cess fund) of building road networks to take their crop to the Mill, while the District Government and other development projects paid the remainder, after consulting with the CO members. Development of other infrastructure projects, including watercourses and turbines, has also taken place with financial help from the PPAF.



Munawar Memorial Hospital & NRSP Primary Eye Care Project

An innovative partnership is bringing much needed preventive and corrective eye care to children and adults in Chakwal District. Many cases of preventable blindness occur because people cannot afford to travel the long distances to the hospital, especially since the process of diagnosis, correction and follow up might require 8 – 10 visits per patient.

NRSP and the Hospital jointly appointed a Field Coordinator in October 2001. The COs act as a contact point and as a resource base for activities related to village level eye care, linking Munawar Memorial Hospital and NRSP. Patients who are bilaterally blind and unable to afford the fees are offered surgery free of cost, while cataract patients are offered surgery at subsidised rates. The components of the Primary Eye Care Project are Screening Camps and Training Workshops for Primary Eye Care Workers and Community Health Workers. Participants receive basic instrument and examination kits to enable them to assess vision. Between November 6, 2001 and June 30, 2003 the Munawar Hospital conducted cataract screening camps for members of 77 COs, covering a total of 1, 780 patients. In that time, 350 cataract patients were identified and 79 surgeries performed. Altogether, NRSP contributed Rs 79,000 towards the cost of the surgery.

A School Eye Health Programme was developed to address the needs of 9 – 13 year olds. The project screened 18 schools in 2001 – 02. The hospital is also in the process of registering all the incurably blind children in the District.

Heartfile Cardiovascular Disease (CVD) Prevention Project

NRSP initiated a CVD prevention project in Lodhran region in collaboration with Heartfile Pakistan. The programme has been introduced to 167 COs. The project includes community level health education and village activist training. To date, the programme has trained nearly 200 activists. Heartfile informs community members about preventing heart disease, recognising its symptoms, the relationship between diet and heart disease, recognising and responding to the signs of high blood pressure, and the dangers of smoking.



Working with the Poorest of the Poor: NRSP and the International Labour Organisation's Project for Former Bonded Labourers in Sindh

In its role as an advocate for the poor and marginalised NRSP has created a special Project for 750 families in Districts Dadu and Hyderabad, in partnership with the International Labour Organisation (ILO). Participants in this Project have escaped from economic servitude and moved to small settlements in search of economic opportunity and a better life for their children.

All are extremely poor: 33% of participants earn less than Rs 1,000 per month, 37% earn between Rs 1,000 and 2,000, 13% earn between Rs 2000 and 3000, and only 8% earn Rs 3000 to 4000 per month. 4% earn between Rs 4,000 and Rs 5,000 and a minuscule 2% earn more than Rs 5,000 per month.

The men and women who have formed 118 Self Help Groups (the equivalent of a CO) have been given micro-credit to start their own enterprises: As of June 2003, 117 credit clients have borrowed a total of Rs 402,000, all of it for enterprise development or livestock. Cumulative recovery stands at 91.5%, and it is expected that the overdue amount will also be recovered.

In the first endeavour of its kind, NRSP has acquired a 25 acre parcel of land for this Project. Funding amounting to US \$25,000, was acquired by NRSP from the Consultative Group to Assist

the Poorest (CGAP). The land cost Rs 1.5 million: legal fees and taxes will bring the total cost to Rs. 1.8 million.

The purpose of the Project's savings, micro credit, support-based activities and enterprise development is to strengthen the ability of participating households to purchase a portion of this land. As land-owners, participants will have the security that ownership brings, including the right to construct their own dwellings and the right to civic amenities such as electricity, potable water, schools and health care centres and proper sanitation. Once they have an address, they will also have the right to acquire National Identity Cards (NICs), and therefore to vote, rights which they do not have at present. The allocation and purchase of individual plots is set to begin in July 2003.

To free Project members from the huge burden of health care expenses, they now receive free medical care – examinations, medicines and referrals to Government hospitals - from Project doctors. As of June 30, 2003 the Doctors had seen 1,908 patients (647 women, 755 children and 506 men). Since the inception of the Project, 63 'Health Days' have been conducted, providing camp residents with information about immunisation, skin diseases, HIV/AIDS, family planning, gynaecological conditions and a host of other medical

issues. 2,227 people have taken part in these events. In an associated initiative, 16 women have been trained as TBAs.

The Project has established 12 community schools. Interested participants have formed seven School Management Committees. NRSP has trained 15 people as schoolteachers for the community schools. 493 children (335 boys and 158 girls) are studying in these schools, the majority of them in Nursery and Class 1. If these children can complete five years of primary education it will be a major accomplishment and a significant contribution to the 'safety net' which is the Project's purpose.



Public-Private Partnerships: Working with the Government to Alleviate Poverty and Improve Service Delivery

Working with Local Government on the Jhelum Pilot Project

A productive partnership between NRSP, elected Government officials, funding agencies (PPAF), Government Departments and community members was created in Union Council Bokan, Jhelum District. CO members and others formed Village Development Organisations (VDOs) to complete the work.

NRSP did a Situation Analysis of seven villages, selected by the Union Council members on the basis of the severity of the existing problems; these were primarily the need for physical infrastructure relating to sanitation. Under the Pilot Project, NRSP implemented six schemes consisting of street pavement and the construction of drains and ponds. These have benefited nearly 700 households.

In addition to the physical improvements brought about by the schemes, the community members have assumed ownership of the schemes that benefit their communities. The experience they have gained will enable them to plan and implement other schemes in the future. NRSP has succeeded in transforming the traditional perception that things like street pavement and drain construction are the sole responsibility of governments. After the

successful completion of this Project, CO members actively participate in implementing schemes, contribute to the costs, and operate and manage the schemes after completion. Perhaps the greatest benefit is that now there is sense of community ownership. The project has been initiated in another 10 Union Councils in District Jhelum and is also being replicated in other Districts. NRSP has signed MoUs with the District Governments of Chakwal and Rahim Yar Khan (Punjab) and Khairpur (Sindh).

Community Consultations on the Interim Poverty Reduction Strategy Paper

A significant contribution to poverty-alleviation is engagement with the Government on policies that affect the poor. When in early 2003 the Government of Pakistan wanted to include the poor in its deliberations on poverty, and to use those perceptions as input to its Interim Poverty Reduction Strategy Paper, all of the RSPs initiated dialogues with community members for this purpose. NRSP held dialogues with 50 groups of CO members in 28 Tehsils in 16 Districts, with representation from all four provinces and AJK between January 5 and February 15, 2003. There were 1,638 participants, 80% of them men. A lengthy report was written, covering all aspects of the issues identified by rural men and women.

22 groups indicated Human Development, including the lack of technical and academic education, educational facilities, lack of population planning, lack of drinking water supply facilities and inappropriate welfare facilities, as their first priority. 12 groups indicated Governance as their first priority. This includes injustice, a great imbalance between non-development and development expenditures, poor planning, corruption, an insecure law and order situation, a weak and ineffective political system, and ineffective government departments, injustice and poor monitoring systems. For 10 groups, economic development was the first priority. This encompasses unemployment, a weak manufacturing sector, economic instability, poor Zakat distribution and collection, extremely high utility bills, an unequal distribution of wealth, a mismanaged tax system, a weak export sector and the country's high dependence on external loans. 6 groups listed the agriculture sector as their first priority – the high cost of agricultural machinery, poor access to markets (both economic and infrastructures), low yields, inefficient irrigation systems, high taxes on agricultural land, inputs and equipment, exploitative landlords, lack of subsidies for agricultural inputs, and poor or non-existent farm-to-market roads.



The Lady Health Worker Training Programme

When the Ministry of Health approached NRSP to help improve the Lady Health Worker Training Programme, IRM staff members devised a comprehensive, 5-month long pilot programme to meet the expressed needs. There were two focal points of the NRSP initiative: (1) incorporating a 'social mobilisation' component into the training and the service delivery, and (2) strengthening the actual training programme. The project is being carried out in Khushab.

The Institute of Rural Management has revised the existing Training Manual for Lead Trainers, incorporating the principles of Social Mobilisation. A training module on Case Histories is being prepared.

The other vital factor in enhancing service delivery is to ensure that a structural link exists between the communities and the LHWs. To this end, ten active women's COs will be selected to participate in the pilot project. Each will be asked to form a Village Health Committee, so as to liaise with the LHW who serves the community there. In the first initiative of its kind, each CO will be given a grant of Rs 6,000 for a Health Fund. Communities will be asked to match the grant. The fund will be used to buy whatever the LHW needs for her patients' health and well-being. The Department of Health does provide these items, as well as medicines, but

sometimes there are gaps in the timing and availability of supplies. The Fund will also pay for small emergencies: people will be expected to repay the costs when they are able.

A 'Training of Lead Trainers' course was held in Islamabad on June 10-16, 2003. 11 men and 10 women attended the course, the majority of them Doctors with some Lady Health Worker Supervisors and a number of Lead Trainers. The next step will be to recruit a Training Mediator to participate in the training sessions attended by trainee LHWs.

Forming Community Citizen Boards

Registering COs as Community Citizen Boards is also a means of broadening the context of opportunity. Since 25% of the Government's development budget must be channeled through CCBs, COs registered as CCBs are well placed to participate – and indeed to lead the way - in village-based development activities. As the idea takes root and as communities absorb the idea and begin the process of registration, the momentum to form CCBs is building. So far three COs in Khushab and one each in Bahawalpur and Malakand, have registered as CCBs. The registration papers for 43 COs have been prepared in Badin/Hyderabad.

Training Elected Members of Local Government in Participatory Development

Although the authority and funding for development planning now resides at the District level, many elected Nazims, Naib Nazims and Councillors were initially unfamiliar with the principles and practices of participatory development. To meet the perceived need, NRSP's Institute of Rural Management organised 12 kinds of interactive training workshops. These were held in Islamabad, Chitral, D.G. Khan, Charsadda, Hyderabad, Badin and Turbat. 380 elected local-government representatives (156 women and 224 men) from 18 Districts in all four Provinces attended. The following courses were given:

- Devolution Plan 2000 and Participatory Development: designed to facilitate Councillors in designing area-specific programmes, and to familiarise them with the concept and practice of social mobilisation.
- Good Governance: What, Why and How. A Workshop to equip elected representatives with the tools required for good governance, including planning, management and leadership.
- Leadership and Management Skills for Councillors
- Community Participation and Elected Councillors – a workshop especially designed to enable Councillors and Nazims to interact



effectively with community members so as to ensure their active participation in development initiatives.

- Assessing Local-Level Needs.
- Community Management Skills Training: designed to enhance Nazims' and Councillors' managerial skills, to enable effective planning, and to establish and maintain links between the Government and community members.
- Participatory Project Proposals. Providing the skills required for effective proposal writing. The course covers how to conduct a Situation Analysis, determining resource availability, and how to establish priorities.
- Participatory Project Planning
- Monitoring and Assessment Skills for Councillors
- Communication and Presentation Skills
- Situation Analysis Workshops: designed to enable Councillors to analyse community needs and resources.
- The Role of Women Councillors in Participatory Development

Khushhal Pakistan Programme

The Punjab Government has recently approved the identification and implementation of physical infrastructure schemes with community participation under the Khushhal Pakistan Programme (KPP), which was launched by the

Government of Pakistan in January 2000. Initially launched for two years, from January 2000 to December 2001 with Rs.20 billion, its main objective was to increase employment opportunities and to provide essential infrastructure in rural and low-income urban areas. This is to be achieved by building farm to market roads, rehabilitating water schemes, repairing existing schools, building or repairing small rural roads, constructing drains and storm channels, lining water courses, de-silting canals and providing civic amenities in the villages and towns.

NRSP completed 90 small physical infrastructure projects (46 in Chakwal and 44 in Khushab) under the Khushhal Pakistan Programme, benefiting some 38,463 households. The total cost of these 90 small projects was Rs. 24.26 million. This cost was shared between the communities and the KPP, with communities contributing Rs. 5.027 million (20.78%) and the KPP grant Rs.19.231 million (79.22%). NRSP received Rs. 0.769 million in KPP grants for overhead costs and the cost of training more than 200 CO members in project operation and management. The minimum required cost-sharing ratio was 20:80: i.e. the communities were to be responsible for at least 20% of the total cost.

Through *Khushhal Pakistan* Programme NRSP succeeded in:

- adding facilities in 36 government schools, providing 27 additional rooms with verandas, constructing 15 latrines and 19 boundary walls
- constructing 7.6 km of 14 farm-to-market roads
- brick paving 19.65km of streets with drain lines (where needed) in 39 villages
- providing a permanent and safe drinking water facility to more than 359 households.

Expanding the Perspective: Training for Social Mobilisation in the Maldives

When the South Asia Poverty Alleviation Programme (SAPAP) and the UNDP in the Maldives saw the need to educate their staff in participatory community development, they turned to NRSP's Institute of Rural Management as the Training Institute most experienced in teaching the philosophy and practice of this approach. 20 members of the Government of the Maldives (19 men and one woman) spent from February 4 to April 23, 2003 at IRM, learning the tools and methods of social mobilisation.

They learned how the RSPs conceptualise participatory development, the role of the activist, how micro-credit works to increase the incomes of the rural poor, and the importance of including women in development practices. They also learned the philosophy and practice of social mobilisation, natural resource



management, urban and rural micro-credit, community physical infrastructure and health and education.

The participants were taken on field visits to NRSP's Rawalpindi and Rawalakot regions, both relatively close to Islamabad, but having different ecologies and social contexts. They were also "attached" to Field Unit offices for two weeks. Exposure visits to the Sarhad Rural Support Programme and the Aga Khan Rural Support Programme rounded out the outreach and exposure sections of the programme. A five-day 'Experience Sharing and Feedback' workshop concluded the programme: its purpose was to enable participants to meet with experts in the fields of agriculture and horticulture, fisheries and appropriate technology, with a view to identifying potential development activities in the Maldives.

NRSP's Involvement in Large Scale Rural Development Projects

NRSP is also a partner in a number of Rural Development Projects. Funded by various Government and donor agencies, these Projects are comprehensive initiatives to alleviate rural poverty by improving the quality of land and water resources in large areas. They all utilize the social mobilization paradigm as the means to that end. Full details of NRSP's involvement in these Rural Development Programmes can be found in a Booklet available free of cost from NRSP's Publications Department at the Head Office in Islamabad.



Comments on the Jhelum Pilot Project

Our village had no surface drains. We all suffered from waterborne diseases, especially our children. We had difficulty even going to the mosques to say prayers because of wastewater in the streets. Then we formed a VDO. We will soon be registered as a Citizen Community Board.

I think that with their involvement in development projects, people feel their importance and value. Previously, they really did not know what development activities were being done in their own village. NRSP staff informed them clearly about each step and mobilised them to own the responsibility for the quality of the work. This project has brought about a change in people's attitudes and understanding.

I acknowledge the professionalism and dedication of NRSP Jhelum staff for their efforts in making the pilot project successful. Overall, the partnership between District Government, NRSP and the communities has been appreciated in the general public of District Jhelum. The approach has established credibility and built people's confidence. (Chaudhry Farrukh Altaf, District Nazim Jhelum)

The experience of working with NRSP ... was very successful. ... This pilot project has generated demand from other Union Councils to initiate NRSP activities. It has been agreed to scale-up partnership with NRSP in another ten Union Councils during this year. The

demonstration effect ... will be very good. We succeeded in accomplishing a very important job through this project - the establishment of CCBs. (Saif Ullah Chattha, District Co-ordination Officer Jhelum)

The NRSP staff in Jhelum is appreciated for their skills in mobilising the communities. Through this project, we made better use of funds for high quality and more quantity work. But for us, the important aspect and achievement of this project is the community involvement. This has created a sense of ownership among the villagers. The VDO opened and operated a bank account for the scheme activities and the people were involved at every step. (Chaudhry Wajahat Waseen, Nazim Union Council)

Our working experience with NRSP is an excellent example of developing cost effective and high quality physical infrastructure. People appreciate the NSRP system for its remarkable quality and quantity of work. The main issues in the villages have always have been the pavement of streets and construction of drains. I appreciate the NRSP staff's commitment and honesty. The people have confidence in NRSP's work. I would request to enhance NRSP's role in other sectors such as agriculture, health and education. (Chaudhry Muhammad Sarfraz, Naib Nazim Union Council Bokran)



Conclusion

In 2002 and 2003, 54,499 rural men and women decided it would be to their advantage to get organized as multi sector community organizations, believing it to be the best way to address the problems of poverty and under-development in their villages. This brought the total membership to 372, 640 as of June 30, 2003. CO members completed 576 infrastructure projects through multiple kinds of active participation. Many were engaged as laborers, others as auditors, managers or procurement specialists to complete these projects. For both men and women, the outcome of these projects was a sense of ownership and empowerment. This sense of ownership motivated them to contribute as much as 20% of the cost of these projects in the form of labor or materials. They also undertook the responsibility of operation and maintenance after completion of the projects.

Thousands of villagers, especially farmers, were able to increase their incomes by utilizing micro finance services and technical assistance provided by NRSP through a process of needs identification. Hundreds of young people increased their skills by getting vocational training. Internal reports show that as many as 80% of these young men and women were able to either get jobs or become self employed.

The UNDP study referred to earlier indicated that 81.60% of NRSP members

had enjoyed a “sustainable increase in income” since joining NRSP. The Report noted that “NRSP respondents pointed to greater agricultural productivity, higher yields, better supply of inputs and adoption of new techniques as the factors which had improved their income, consumption and health.”

NRSP is always looking for ways and means of reaching the poorest of the poor. The NRSP-ILO Project in Hyderabad which aims at improving the living standard of “haris”, resulted in the identification of interventions and processes that must be followed in order to reach the poorest of the poor.

NRSP considers the provision of micro credit, physical infrastructure projects, training and technical assistance as the means to an end. While increase in incomes, diversification of expenditures and the increased access of community members to health and education are important indicators of the success of NRSP’s philosophy, the actual outcome of NRSP is the identification of thousands of community volunteers/Activists who were instrumental in the implementation of all these activities. It is only this social capital that will lead to sustainable community development. The most encouraging outcome of NRSP’s social mobilisation efforts during the period under review was the recognition of COs as a platform for discussing policy issues such as the Government of

Pakistan’s Poverty Reduction Strategy Paper. Above all many Nazims and DCOs recognized the COs as the most effective Community Citizen Boards (CCBs).

The fact that NRSP works in 30 Districts that encompass diverse socio-economic, geographical and cultural conditions is evidence that the paradigm of social development which NRSP embraces can be applied successfully anywhere in Pakistan. Wherever it operates, NRSP is always working to improve its performance, to reach more deeply into communities, to learn how best to respond to the issues people identify as their priorities, and to work more efficiently and cost-effectively to deliver the programme. NRSP is committed to continuously refining its development vision. Despite the complexity of the task, poverty-alleviation remains the goal.

Statistical Profile,
2001 - 2003

Statistical Profile, 2001 - 2003

Table 1: Social Mobilisation Trends 2002-03

COs Formed	Cumulative 2001	Annual 2001-02	Cumulative 2002	Annual 2002-03	Cumulative 2003
Men's	8,052	1419	9,471	2705	12,176
Women's	3,911	537	4,448	1130	5,578
Mixed	779	100	879	87	965
WUAs	1,285	63	1,348	35	1,348
Total COs formed	14,027	2,119	16,146	3,957	20,067

Table 2: COs formed & number of CO members, by Region and Gender, 2001-02

Region	Men's	Women's	Mixed	Total	Women %
Turbat	62	66	7	135	49
Rawalakot	27	19	8	54	35
Hyderabad	226	110	11	347	32
Khushab	224	101	2	327	31
Bagh	47	19	7	73	26
Thatta	43	14	3	60	23
Rawalpindi	376	127	44	547	23
Vehari	22	5	-	27	19
Lodhran	84	18	0	102	18
Mardan	29	5	0	34	15
Malakand	97	16	-	113	14
Badin	103	17	8	128	13
D.G Khan	117	18	8	143	13
Bahawalpur	25	2	2	29	7
Total	1,482	537	100	2,119	

Region	Men	Women	Total	Women %
Turbat	1475	1831	3306	55
Rawalakot	638	400	1038	39
Bagh	804	499	1303	38
Vehari	197	103	300	34
Hyderabad	4314	2069	6383	32
Rawalpindi	8434	3182	11616	27
Khushab	3158	1150	4308	27
Thatta	690	228	918	25
Mardan	363	115	478	24
D.G Khan	510	127	637	20
Lodhran	994	235	1229	19
Badin	2081	354	2435	15
Malakand	1799	260	2059	13
Bahawalpur	-	-	-	-
Total	25,457	10,553	36,010	

Source: MER

Table 3: COs formed & CO members, by Region and Gender, 2002-03

Region	Men's	Women's	Mixed	Total	Women %	Region	Men	Women	Total	Women %
Bagh	26	73	9	108	68	Bagh	370	1147	1517	76
Lodhran	88	64	-	152	42	Turbat	2165	1760	3925	45
Vehari	18	13	-	31	42	Rawalakot	1618	1156	2774	42
Turbat	67	45	4	116	39	Lodhran	1153	754	1907	40
Thatta	35	20	1	56	36	D.G Khan	725	464	1189	39
Khushab	182	99	3	284	35	Vehari	235	149	384	39
Rawalpindi	579	264	21	864	31	Khushab	2161	1090	3251	34
Bahawalpur	630	269	5	904	30	Thatta	445	224	669	33
Hyderabad	158	69	10	237	29	Hyderabad	2525	1224	3749	33
Rawalakot	65	35	29	129	27	Rawalpindi	12053	5805	17858	33
D.G Khan	123	32	2	157	20	Bahawalpur	8722	2762	11484	24
Malakand	364	72	-	436	17	Badin	2036	397	2433	16
Badin	117	23	3	143	16	Malakand	5990	1128	7118	16
Rahim Yar Khan	288	52	-	340	15	Rahim Yar Khan	4087	429	4516	9
Total	2,740	1,130	87	3,957		Total	44,285	18,489	62,774	

Source: MER

Table 4: CO Savings (Rs. Million) by Region and Gender

2001-02				2002-03			
Region	Men	Women	Total Savings	Region	Men	Women	Total Savings
Mardan	- 0.78	0.99	0.21	Vehari	- 0.05	0.26	0.21
Rawalakot	0.12	0.55	0.67	DG Khan	- 0.01	1.95	1.94
Hyderabad	1098	2.33	4.30	Thatta	0.00	0.04	0.04
Malakand	0.44	0.20	0.65	Rawalakot	0.30	1.06	1.36
Bagh	0.37	0.15	0.52	Bagh	0.24	0.80	1.04
Turbat	0.92	0.36	1.28	Turbat	0.76	0.94	1.70
Thatta	1.31	0.40	1.71	Rawalpindi	34.59	24.68	59.28
Rawalpindi	17.18	4.33	21.52	Hyderabad	- 7.90	- 3.52	- 11.42
Khushab	5.38	1.16	6.53	Khushab	5.38	1.60	6.98
Badin	2.55	0.54	3.08	Badin	2.88	0.77	3.65
Lodhran	4.37	0.03	4.40	Malakand	2.02	0.39	2.40
Vehari	0.05	-	0.05	Lodhran	5.00	0.86	5.86
DG Khan	- 3.17	0.54	- 2.63	Bahawalpur	18.55	2.43	20.98
Bahawalpur	-	-	-	Rahim Yar Khan	4.10	0.44	4.54
Total	30.72	11.57	42.29	Total	65.36	32.70	98.56

Source: MER

Table 5: RCED Programme Level Disbursement July 2002 June 2003

Programme Activities	As of June, 2001	2001-2002	2002-2003
Total Disbursement (Rs.)	2,742,108,468	527,560,379	797,580,220
Disbursement to Men (Rs.)	2,437,555,358	456,182,339	678,952,300
Disbursement to Women (Rs.)	304,553,110	71,378,040	118,627,920
Average Disbursement to Men (Rs.)	15,276	11,717	11,477
Average Disbursement to Women (Rs.)	12,061	7,560	7,420
Total Loans	184,821	48,376	75,145
Loans to Men	159,569	38,935	59,158
Loans to Women	25,252	9,441	15,987
1. Agricultural Inputs (Rs.)	1,665,685,003	339,524,779	523,332,420
Disbursement to Men (Rs.)	1,643,511,168	327,273,839	504,481,000
Disbursement to Women (Rs.)	22,173,835	12,250,940	18,851,420
Total Loans	117,147	28,954	46,188
Loans to Men	113,306	26,579	42,736
Loans to Women	3,841	2,375	3,452
Average Loan Size (Rs.)	14,219	11,726	11,330
2. Livestock Development (Rs.)	611,813,200	127,503,500	178,340,300
Disbursement to Men (Rs.)	395,069,300	80,501,500	102,883,800
Disbursement to Women (Rs.)	216,743,900	47,002,000	75,456,500
Total Loans	43,288	13,802	19,474
Loans to Men	26,447	8,022	10,090
Loans to Women	16,841	5,780	9,384
Average Loan Size (Rs.)	14,134	9,238	9,158
3. Enterprise Development (Rs.)	391,085,749	53,034,100	87,282,500
Disbursement to Men (Rs.)	331,987,224	41,116,000	63,117,500
Disbursement to Women (Rs.)	59,098,525	11,918,100	24,165,000
Total Loans	20,870	5,209	9,022
Loans to Men	16,644	3,937	5,881
Loans to Women	4,226	1,272	3,141
Average Loan Size (Rs.)	18,739	10,181	9,674
4. Small Infrastructure Individual Enterprise (Rs.)	73,524,516	7,498,000	8,625,000
Disbursement to Men (Rs.)	66,987,666	7,291,000	8,470,000
Disbursement to Women (Rs.)	6,536,850	207,000	155,000
Total Loans	3,516	411	461
Loans to Men	3,172	397	451
Loans to Women	344	14	10
Average Loan Size (Rs.)	20,911	18,243	18,709
No. of COs Availing Loans (Cumulative)	7,347		

Source: RCED

Table 6: Urban Poverty Alleviation Programme Credit Disbursements, July 2001 to June 30, 2003

	As of June 2001	Annual 2002	As of June 2002	Annual 2003	As of June 2003
Total No. of credit cases*	4,996	5,808	10,804	9,062	19,866
Loan cases of men	85	4	89	-	89
Loan cases of women	4,911	5,804	10,715	9,062	19,777
Total Amount Due (Rs)	36,294,144	39,499,113	75,797,781	72,139,936	147,937,717
Total Amount Recovered (Principal)	36,060,237	39,507,178	75,564,669	72,162,297	147,726,966
Recovery Rate (%)	99	-	99.69	-	99.86
No. of Groups formed	1,030	1,285	2,315	1,649	3,964
No. of Credit Cases	4,996	5,808	10,804	9,062	19,866
Total Credit Disbursed (Rs)	52,143,569	60,288,500	112,432,069	93,437,500	205,869,569
Total Amount Recovered (Rs) From:	40,419,327		84,609,800		165,253,878
Total Principal Recovered	36,060,237		75,564,669		147,726,966
Total Service Charge Recovered	4,349,994		9,028,192		17,489,687
Total Excess Recovered	9,096		16,939		37,225
Principal Balance	16,083,332		36,867,400		58,142,603
Current Cases	2,465		5,703		8,952
Closed Cases	2,531		5,101		10,914
Cumulative Recovery Rate (%)	99		99.69		99.86
On Time Recovery Rate (%)	99		99.71		99.79

*One case may consist of more than one loan to a single borrower

Source: UPAP Head Office

Table 7: Top 5 purposes for taking a loan and the data associated with those loans in all three UPAP regions

Rawalpindi/Islamabad	Cases	Disbursement	Principal Recovered	Service Charge Recovered	Total Recovered	Balance
Buffalo	3,037	34,980,500	26,651,486	3,044,094	29,700,884	8,329,014
Consumer Store	2,305	24,899,004	19,528,430	2,221,081	21,754,953	5,370,574
Tailoring/Sewing	1,245	12,157,500	8,830,140	1,011,589	9,844,435	3,327,360
Cloth Business	1,069	10,791,815	7,715,847	901,714	8,619,142	3,075,968
Vehicle	837	9,012,000	7,074,948	818,204	7,895,052	1,937,052
Faisalabad	Cases	Disbursement	Principal Recovered	Service Charge Recovered	Total Recovered	Balance
Cloth Business	210	1,900,000	625,046	121,082	746,195	1,274,954
Consumer Store	206	1,984,000	640,263	121,558	761,908	1,343,737
Animal Cart	180	1,676,000	457,198	89,599	546,836	1,218,802
Street Vendor	73	610,500	199,746	42,014	241,765	410,754
Scrap Business	53	487,000	179,481	34,519	214,042	307,519
Karachi	Cases	Disbursement	Principal Recovered	Service Charge Recovered	Total Recovered	Balance
Consumer Store	65	610,500	183,185	35,960	219,145	427,315
Tailoring/Sewing	52	478,000	126,760	23,075	149,843	351,240
Loan Repayment	49	465,500	36,831	8,369	45,200	428,669
House Construction	30	294,000	46,610	9,615	56,225	247,390
Garments	17	147,000	42,209	8,783	50,992	104,791

Source: UPAP Head Office

Table 8: IRM Staff Training 2001 - 2002

Training Course	Men	Women	Women's Participation (%)*	Total
Computer Training	14	0	0	14
Communication & Presentation Skills	114	68	37.36	182
Gender and Development	28	12	30	40
General Training	181	15	7.56	196
Training Needs Assessment	62	47	43.12	109
Training of Trainers	27	7	20.59	34
Environment & NRM	9	0	0	9
OTW Interns	118	46	28.05	164
Refresher Workshop	115	107	48.19	222
Micro Credit	70	9	12.8	79
RSP Orientation	69	44	38.94	113
GEF Programme	411	12	2.84	423
Enterprise Development Programme	31	7	18.42	38
Training of Monitors	6	2	33.33	8
Sustainable Community Management	13	7	35	20
Seminar & Workshop	22	13	37.14	35
Write Shop	11	2	15.38	13
Total	1301	398	23.43	1,699

Data source: IRM

*Calculations: MER

Table 9: IRM Staff Training Programme, 2002-2003

Course Name	No. of sessions	Men	Women	Women's %*	Total
Calculating Sustainability Indicators Workshop	1	18	1	5.26	19
Communication & Presentation Skills	4	46	16	25.81	62
Computer Training	2	37	0	0	37
Credit Appraisal & Recovery Techniques	6	94	25	21.01	119
Enterprise Development Programme	1	13	2	13.33	15
Environment & NRM	1	17	8	32	25
Exposure Visits	3	18	12	0	30
External Training	2	2	0	0	2
Gender and Development	2	22	6	21.43	28
General Training	4	71	12	14.46	83
Micro Credit	1	9	10	0.53	19
OTW (Subject Specific)	3	48	12	16.46	60
OTW Field Staff	1	16	1	5.88	17
OTW Interns	3	33	39	54.17	72
Participatory Rural Appraisal	1	14	2	12.5	16
Planning Workshop	1	13	5	27.78	18
Refresher Workshop	7	38	26	40.63	64
RSP Orientation	5	36	5	12.20	41
Sectoral Training	1	19	6	24	25
Seminar & Workshop	3	59	43	42.16	102
Social Appraisal Techniques	1	21	2	8.70	23
Social Mobilisation Training	1	10	2	16.67	12
Sustainable Community Management	1	11	0	0	11
Time Management	2	26	9	25.71	35
Training of Trainers	1	13	11	45.83	24
Training of Trainers (Subject Specific)	4	68	18	20.93	86
Train The Trainer	1	11	2	15.38	13
Total	63	783	275		1058

Source: Institute of Rural Management

*Calculation MER

Table 10: IRM training programmes for community members 2001 - 2002

Training Course	Men	Women	Women's Participation (%)	Total
Community Management Training Programme				
Community Activist Action Plan	100	1	0.99	101
Credit Book Keeping	494	297	37.55	791
Community Management Skills Training (CMST)	3,850	1,193	23.66	5,043
CMST (Advanced)	42	1	2.33	43
CMST for Non-Literate Women		7	100	7
Financial Management (Barani Village Development Project)	1,754	633	26.52	2,387
Effective Communication Skills for Community Members	12	0	0	12
Nazim & Councillors (elected)	26	40	60.61	66
Total Community Management	6,278	2,172	25.70	8,450
Natural Resource Management				
Agriculture Training	27	0	0	27
Bee Keeping (Advanced)	18	0	0	18
Commercial Poultry	53	29	35.37	82
Cotton Protection	175	0	0	175
Crop Production	46	0	0	46
Epidemic Prevention (Veterinary)	0	87	100	87
Fuel Efficient Stove Manufacture	111	824	88.13	935
Food Processing (Advanced)	0	18	100	18
Food & Nutrition	0	39	100	39
Integrated Pest Management Manual Development	47	13	21.67	60
Livestock Management	650	80	10.96	730
Advanced Livestock Management	51	0	0	51
Basic Livestock Specialist	182	0	0	182
Advanced Livestock Specialist	77	0	0	77
Nursery Raising	14	0	0	14
Off-Season Vegetables	53	94	0	147
Pest Scouting	67	0	0	67
Plant Protection and Production	14	0	0	14
Poultry Specialist	161	377	70.08	538
Rice Cultivation	23	0	0	23
Rodent Control	23	11	32.36	34
Tobacco Production (Mardan)	14	0	0	14
Fertiliser Application	26	0	0	26
Vegetable Production	181	226	55.53	407
Water Management	25	12	32.43	37
Wheat Production (Lodhran)	235	0	0	235
Wild Boar Management	552	0	0	552
Total Natural Resource Management	2,825	1,810	39.05	4,635

Table 10 Continued

Social Sector	Men	Women	Women's Participation (%)	Total
First Aid Training	45	10	18.18	55
Family Planning Orientation	58	59	50.42	117
Health & Sanitation	38	41	51.89	79
Traditional Birth Attendant Training	0	75	100	75
Teachers' Training	34	58	63.04	92
Village Education Committee	7	5	41.67	12
Total Social Sector	182	248	57.67	430
Physical Infrastructure Technology Development				
Pipe Fitting & Water Purification	1,279	119	8.51	1,398
Total Physical Infrastructure Technology Development	1,279	119	8.51	1,398
Enterprise Development				
Candy Floss Machine Training	3	0	0	3
Rope Making Training	3	0	0	3
Total Enterprise Development Training	6	0	0	6
Vocational Training				
Air Conditioning and Refrigeration	130	0	0	130
Auto Electrician	36	0	0	36
Auto Mechanic	88	0	0	88
Beautician	0	4	100	4
Calligraphy	2	0	0	2
Carpet Making	0	0	0	0
Civil Surveying	61	0	0	61
Computer (Basic)	236	24	9.23	260
Dress Designing	1	0	0	1
Driving	101	0	0	101
Dry Cleaning	1	0	0	1
Electrician	152	0	0	152
Embroidery	16	119	88.15	135
Fabric Printing	3	385	99.23	388
Jam Making	0	40	100	40
Knitting	5	13	72.22	18
Machinist	13	0	0	13
Motor Cycle Repair	6	0	0	6
Peter Engine Repair	242	0	0	242
Plumbing	35	0	0	35
Steel Fixer	6	0	0	6
Tube well Maintenance	11	0	0	11
TV & VCR Repair	32	0	0	32
Tie & Dye	84	677	88.96	761
Welding	85	0	0	85
Tailoring (Advanced)	8	4	33.33	12
Tailoring (Professional)	125	36	22.36	161
Total Vocational Training	1,479	1,302	46.82	2,781

Table 10 Continued

	Men	Women	Women's Participation (%)	Total
Occupational Training				
Candle Making	173	1,659	90.56	1,832
Surf & Soap Making	334	8,036	96.01	8,370
Tailoring (Professional)	59	1,783	96.79	1,842
Tailoring (Advanced)	0	279	100	279
Total Occupational Training	566	11,757	95.41	12,323
Training course total	12,615	17,408	46.82	30,023
Refresher Courses				
Community Management Training Programme	77	59	43.38	136
Livestock Management	54	6	10	60
Teachers' Training	16	26	61.90	42
Total Refresher Courses	147	91	38.24	238
Workshops				
Activist workshops	1,559	307	16.45	1,866
Subject Specialist Workshops	8,296	2,207	21.01	10,503
Total Workshops	9,885	2,514	20.33	12,369
Grand Total	22,618	20,013	46.95	42,630

Source: IRM

Table 11: IRM Community Training Programme, 2002-2003

Programme Activities	Training conducted by Regions				Training conducted by IRM				Total				
	Sessions	Men	Women	Total	Sessions	Men	Women	Total	Sessions	Men	Women	Women%	Total
Community Management													
Credit Book Keeping	26	341	181	522	0	0	0	0	26	341	181	34.67	522
CMST	153	2388	1308	3696	50	820	451	1271	203	3208	1759	35.41	4967
CMST for Non-literate	0	0	0	0	3	13	36	49	3	13	36	73.47	49
Financial Management	5	0	107	107	16	355	131	486	21	355	238	40.13	593
General Training	0	0	0	0	3	27	12	39	3	27	12	30.77	39
Nazim & Councillors	0	0	0	0	3	31	35	66	3	31	35	53.03	66
Total	184	2729	1596	4325	75	1246	665	1911	259	3975	2261		6236
NRM													
Bee Keeping	1	10	0	10	0	0	0	0	1	10	0	0	10
Off Season Vegetable	0	0	0	0	1	20	0	20	1	20	0	0	20
Food Processing Advanced	1	0	23	23	0	0	0	0	1	0	23	100	23
Crop Production & Protection	1	15	0	15	1	12	0	12	2	27	0	0	27
Int. Pest Management	0	0	0	0	2	32	0	32	2	32	0	0	32
Livestock Specialist (Advanced)	0	0	0	0	3	45	0	45	3	45	0	0	45
Water Management	4	61	0	61	0	0	0	0	4	61	0	0	61
Agronomic Practices	6	77	0	77	0	0	0	0	6	77	0	0	77
Agriculture Training	4	89	0	89	0	0	0	0	4	89	0	0	89
Wheat Production	4	112	0	112	0	0	0	0	4	112	0	0	112
Cotton Protection	6	130	0	130	0	0	0	0	6	130	0	0	130
Sugarcane Growing Technology	5	137	0	137	0	0	0	0	5	137	0	0	137
Commercial Poultry	9	92	93	185	0	0	0	0	9	92	93	50.27	185
Livestock Management	5	175	0	175	1	23	0	23	6	198	0	0	198
Livestock Specialist	16	238	0	238	6	99	0	99	22	337	0	0	337
Vegetable Production	20	200	193	393	0	0	0	0	20	200	193	49.12	393
Poultry Specialist	17	54	450	504	0	0	0	0	17	54	450	89.29	504
Fuel Efficient Stove	61	408	1134	1542	0	0	0	0	61	408	1134	73.54	1542
Total	160	1798	1893	3691	14	231	0	231	174	2029	1893		3922
SSS													
First Aid Training	1	0	3	3	0	0	0	0	1	0	3	100	3
Village Education Committee	0	0	0	0	1	11	4	15	1	11	4	26.67	15
Health & Sanitation	2	56	1	57	0	0	0	0	2	56	1	1.75	57
Teachers Training	0	0	0	0	7	44	113	157	7	44	113	71.97	157
TBA Training	8	0	79	79	6	0	90	90	14	0	169	100	169
Total	11	56	83	139	14	55	207	262	25	111	290		401
PITD													
PITD	441	1536	175	1711	0	0	0	0	441	1536	175	10.23	1711
Total	441	1536	175	1711	0	0	0	0	441	1536	175		1711

Table 11 Continued

Programme Activities	Training conducted by Regions				Training conducted by IRM				Total				
	Sessions	Men	Women	Total	Sessions	Men	Women	Total	Sessions	Men	Women	Women%	Total
EDTP	0	0	0	0	1	4	0	4	1	4	0	0	4
Olive Seed MicroEnterprise	0	0	0	0	1	4	0	4	1	4	0		4
Total													
Vocational Training													
Industrial Electronics	0	0	0	0	1	1	0	1	1	1	0	0	1
Radio Repair	0	0	0	0	1	4	0	4	1	4	0	0	4
Household Appliance	0	0	0	0	1	4	0	4	1	4	0	0	4
Masonry Training	1	14	0	14	0	0	0	0	1	14	0	0	14
Tailoring (Advanced)	0	0	0	0	3	7	9	16	3	7	9	56.25	16
Macrame	1	0	18	18	0	0	0	0	1	0	18	100	18
Machinist	1	6	0	6	3	14	0	14	4	20	0	0	20
Driving	1	24	0	24	0	0	0	0	1	24	0	0	24
Electronic (Dish Antenna, Radio)	1	13	0	13	1	11	0	11	2	24	0	0	24
A/C & Refrigeration	0	0	0	0	4	65	0	65	4	65	0	0	65
Plumbing	2	36	0	36	2	36	0	36	4	72	0	0	72
Civil surveyor	2	26	0	26	4	50	0	50	6	76	0	0	76
Auto Electrician	1	9	0	9	3	69	0	69	4	80	0	0	80
Welding	3	38	0	38	5	50	0	50	8	88	0	0	88
Sharbat and Squash Making	5	0	108	108	0	0	0	0	5	0	108	100	108
Bookbinding	4	0	108	108	0	0	0	0	4	0	108	100	108
Auto Mechanic	1	20	0	20	6	97	0	97	7	115	0	0	115
Shopkeeping	10	113	11	124	0	0	0	0	10	113	11	8.87	124
Electrician	3	45	0	45	6	122	0	122	9	167	0	0	167
Peter Engine Repair	8	185	0	185	0	0	0	0	8	185	0	0	185
Tailoring (Professional)	5	2	109	111	7	79	12	91	12	81	121	59.90	202
Embroidery	11	0	224	224	1	1	0	1	12	1	224	99.56	225
Computer Training	5	52	15	67	10	197	12	209	15	249	27	9.28	276
Vaseline Making	19	0	459	459	0	0	0	0	19	0	459	100	459
Fabric Printing	30	0	720	720	0	0	0	0	30	0	720	100	720
Tie & Dye	44	10	980	990	8	8	218	226	52	18	1198	98.52	1216
Total	158	593	2752	3345	66	815	251	1066	224	1408	3003		4411
Occupational Training													
Candle Making	5	0	87	87	1	13	17	30	6	13	104	88.89	117
Surf & Soap Making	88	0	1694	1694	0	0	0	0	88	0	1694	100	1694
Tailoring (Professional)	58	14	1169	1183	0	0	0	0	58	14	1169	98.82	1183
Total	151	14	2950	2964	1	13	17	30	152	27	2967		2994
Appropriate Technology													
Appropriate Technology Total	2	30	0	30	0	0	0	0	2	30	0		30
	2	30	0	30	0	0	0	0	2	30	0		30
Training Sub Total	1,107	6,756	9,449	16,205	171	2,364	1,140	3,504	1,278	9,120	10,589		19,709

Table 11 Continued

	Training conducted by Regions				Training conducted by IRM				Total				
	Sessions	Men	Women	Total	Sessions	Men	Women	Total	Sessions	Men	Women	Women%	Total
Seminars													
Policing & Community Collaboration	0	0	0	0	1	35	52	87	1	35	52	59.77	87
Total	0	0	0	0	1	35	52	87	1	35	52		87
Refresher Courses													
CMST for Non-literate	0	0	0	0	1	2	3	5	1	2	3	60	5
Livestock Specialist	1	8	0	8	1	8	0	8	2	16	0	0	16
Teachers' Training	0	0	0	0	2	9	21	30	2	9	21	70	30
Livestock Management	2	37	0	37	1	13	0	13	3	50	0	0	50
Total	3	45	0	45	5	32	24	56	8	77	24	23.76	101
Activist Workshops													
Activist Workshops	102	3657	1380	5037	0	0	0	0	102	3657	1380	27.40	5037
Total	102	3657	1380	5037	0	0	0	0	102	3657	1380		5037
Subject Specialist Workshop													
NRM	197	5189	2392	7581	4	57	61	118	201	5246	2453	31.86	7699
SSS	72	880	1617	2497	0	0	0	0	72	880	1617	64.76	2497
SSW	31	754	292	1046	0	0	0	0	31	754	292	27.92	1046
Total	300	6823	4301	11124	4	57	61	118	304	6880	4362		11242
Exposure Visits													
Exposure Visits	3	54	44	98	0	0	0	0	3	54	44	44.90	98
Total	3	54	44	98	0	0	0	0	3	54	44		98
Grand Total	1,515	17,335	15,174	32,509	181	2,488	1,277	3,765	1,696	19,823	16,451		36,274

Source: NRSP Institute of Rural Management

Table 12: Community Physical Infrastructure Schemes Completed, by Region, during 2001-2002 and 2002-03

Region	2001-02				2002-03			
	No of schemes	Participating households	Funding agency share (Rs)	Total Cost (Rs)	No of schemes	Participating households	Funding agency share (Rs)	Total Cost (Rs)
Rawalpindi	99	10,696	21,857,822	28,515,208	67	7,708	22,108,860	30,114,738
Khushab	124	32,467	32,152,301	44,998,734	11	705	3,012,406	4,236,537
Rawalakot	41	1,284	5,774,682	7,869,277	39	1,567	8,193,564	10,240,788
Badin	24	950	4,686,340	6,539,787	19	677	4,462,015	5,992,609
Turbat	34	5,206	4,964,169	6,915,014	24	1,887	3,531,750	4,275,228
Hyderabad	27	1,236	6,228,156	9,064,356	14	511	2,301,584	3,097,925
Malakand	7	390	463,114	604,110	7	438	845,224	1,062,212
Lodhran	13	758	4,039,738	5,464,047	10	805	1,417,799	1,799,516
Bagh	0	0	0	0	6	246	1,583,671	2,041,903
D.G.Khan	1	15	52,090	52,090	9	246	700,530	909,375
Total	370	53,002	80,218,412	110,022,623	206	14,790	48,157,403	63,770,831

Source: PITD

Table 13: Types of Community Physical Infrastructure Schemes initiated and completed by Direct Input and Linkages during 2001-2002 and 2002-03

Type of Scheme	2001-02			2002-03			PITD Schemes Completed Since Inception		
	No. of schemes	House holds	Cost (Million) Rs	No. of schemes	House holds	Cost (Million Rs.)	No. of Schemes	House holds	Cost (Million) Rs.
By Direct Input									
Schemes initiated									
Drinking Water Supply	299	13,734	29,124,275	152	8,287	35.064	1018	47,377	188.364
Agriculture	281	11,275	49,768,186	122	3,817	44.413	602	31,341	202.178
Communication	106	11,410	14,889,285	54	7,154	24.854	326	37,968	107.516
Sewerage & Drainage	50	17,259	8,415,171	103	21,636	52.689	166	43,448	70.020
Others	43	18,460	7,825,706	23	7,995	10.272	75	28,351	21.816
Total	779	72,138	110,022,623	454	48,889	167.292	2187	187,485	589.894
Schemes Completed									
Drinking Water Supply	125	6,029	79.944	85	4,198	16.342	936	42,464	166.632
Agriculture	132	6,068	110.308	57	1,598	20.069	522	26,956	173.545
Communication	47	19,889	45.892	29	2,143	11.350	301	32,957	94.012
Sewerage & Drainage	29	3,434	14.911	30	4,951	14.916	93	25,763	32.247
Others	37	17,582	9.173	5	1,900	1.101	56	22,156	12.367
Total	370	53,002	260.228	206	14,790	63.778	1908	150,296	178.803
By Linkages									
Schemes initiated									
Drinking Water Supply	0	0	0.000	122	3,133	0.952	274	12,914	44.475
Agriculture	0	0	0.000	-	-	-	196	1,397	9.835
Communication	0	0	0.000	-	-	-	3	245	0.298
Sewerage & Drainage	0	0	0.000	201	725	3.430	228	1,506	5.424
Others	0	0	0.000	-	-	-	5	2,102	0.637
Total	0	0	0.000	323	3,858	4.382	706	18,164	60.669
Schemes Completed									
Drinking Water Supply	0	0	0.000	122	3,133	0.952	266	10,435	9.925
Agriculture	0	0	0.000	0	-	0.000	196	1,397	9.835
Communication	0	0	0.000	0	-	0.000	3	245	0.298
Sewerage & Drainage	0	0	0.000	201	725	3.430	228	1506	5.424
Others	0	0	0.000	0	-	0.000	5	2102	0.637
Total	0	0	0.000	323	3,858	4.382	698	15,685	26,119
Grand Total									
Schemes Initiated	762	71,571	255.366	570	47,735	158.603	2,893	205,649	650.563
Schemes Completed	759	71,331	253.682	354	14,461	64.007	2,606	165,981	504.922

Source: PITD

Accounts For the Year Ended
30 June, 2003

DIRECTORS REPORT TO THE MEMBERS OF THE COMPANY ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2003

General

The Board of Directors of National Rural Support Programme has pleasure in submitting the Annual Accounts for the Year ended 2002-2003 together with the Auditors' report thereon. During the financial year 2002-2003, NRSP focused on consolidating the expansion and extension of programme, which started in year 2001-2002 with the funding from Pakistan Poverty Alleviation Fund (PPAF). As a result, the micro credit disbursement increased by more than 50% in year 2002-2003 as compared to that of year 2001-2002. As NRSP follows a holistic approach, investments in community organizations in the form of training and physical infrastructure projects were also made to the tune of Rs 164.3 Million. During the year, NRSP also implemented a number of innovative projects, which did not require significant financial investments but provided opportunities for research and testing of some new interventions. One example of such projects is ILO funded project for previously bonded labour that is being implemented in the camps for haris in Hyderabad. In order to increase effectiveness of the devolution plan, NRSP also worked with the Nazims to set up Community Citizen Boards and to implement physical infrastructure projects through community participation.

Accounts for the year ended June 30, 2003

The Board is pleased to present the Accounts of the Company for the year ended June 30, 2003. A summary of operations is as under:

- Income of profit on investments Rs 85.3 Million (2001-2002,; Rs. 129.1 Million).
- Grant income Rs. 180.3 Million (2001-2002: Rs. 301 Million),,
- Gross income on service charges Rs. 94.1 Million (2001-2002: 88.3) Million).
- Operating cost Rs. 34.73 Million (2001-2002: Rs. 26.21 Million)
- Field operations (social mobilization cost) Rs. 172.28 Million (2001-2002: Rs. 141.47 Million)
- Programme Assistance Rs. 164.35 Million (2001-2002: Rs. 208.25 Million)

During the year, new field offices, which were established in 2001-2002, were operationalised, which increased operational expenditures. However, this in turn increased their capacity to disburse micro credit. Consequently, the credit disbursements increased by 50% in the year 2002-2003. The decrease in programme assistance shows availability of smaller funds for different interventions. However, the capacity of field units has been enhanced to support a larger network of community organizations.

Events subsequent to the Balance Sheet date:

A special audit of the Agriculture Development Component of the Swabi Scarp Project was carried out. The auditors have submitted a detailed report, which does not draw any conclusions. The report is under discussion and it is expected that the report would not have any major impact on the financial position of NRSP.

Subsequent to the balance sheet date, there had been continuous decline in the return on NRSP's investments. For this reason, the total interest income of NRSP will also decline significantly. In order to sustain the programme activities, NRSP management has adopted a multi pronged strategy to generate financial resources or reduce costs. Accordingly, attempts are being made to separate the credit operations and to make the credit programme financially self-sustainable. As a matter of prudence, provision for doubtful debts for all loans past due by 90 days or more has been created and maintained in these accounts and all loans that have been past overdue by 2 years or more have been written off.

Subject to the above, the Company has not, to the date of this report, entered into any arrangement which would have any material effects on the financial position of the company, neither the nature of the business has changed since then. Additionally, the Auditors report does not contain any reservation, observation, qualification or adverse remarks that would need any explanation. The current and potential financial resources are sufficient to maintain the NRSP's status as a going concern.

The Board would like to place on record its appreciation for the dedication, commitment and loyalty all NRSP employees.

ISLAMABAD

22 NOV 2003



DIRECTOR



DIRECTOR



CHIEF EXECUTIVE OFFICER



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Chartered Accountants

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**AUDITORS' REPORT TO THE MEMBERS
OF NATIONAL RURAL SUPPORT PROGRAMME**

We have audited the annexed balance sheet of National Rural Support Programme as at 30 June 2003, the income and expenditure account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended in which are incorporated the un-audited results from all the regions and offices except for twelve offices and regions which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and the income and expenditure account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

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Taseer Hadi Khalid & Co., a partnership firm, is a member of KPMG International, a Swiss association.



- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2003 and of the deficit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

ISLAMABAD

22 NOV 2003

TASEER HADI KHALID & CO.
CHARTERED ACCOUNTANTS

NATIONAL RURAL SUPPORT PROGRAMME
BALANCE SHEET
AS AT 30 JUNE 2003

	Note	2003 Rupees	2002 Rupees
FIXED ASSETS-AT COST OR ASSESSED VALUES LESS ACCUMULATED DEPRECIATION	3	53,660,996	52,151,071
LONG TERM INVESTMENTS	4	504,758,782	610,029,584
CURRENT ASSETS			
Stock of projects	5	4,348,691	-
Micro credit receivables - Unsecured considered good	6	561,206,529	384,210,904
Advances, deposits, prepayments and other receivables	7	89,558,769	59,585,869
Cash and bank balances	8	363,289,516	333,134,675
		1,018,403,505	776,931,448
CURRENT LIABILITIES			
Bank borrowings -Secured	9	157,562,741	140,217,201
Loans, provisions, accrued and other liabilities	10	532,018,729	331,653,604
		689,581,470	471,870,805
NET CURRENT ASSETS		328,822,035	305,060,643
		887,241,813	967,241,298
DEFERRED LIABILITIES FOR STAFF RETIREMENT BENEFITS	11	(7,484,142)	(26,380,035)
DEFERRED GRANTS		(31,859,695)	(32,429,125)
MICRO CREDIT REVOLVING FUND	12	(44,727,804)	(28,634,055)
CONTINGENCIES AND COMMITMENTS	13	-	-
		803,170,172	879,798,083
REPRESENTED BY:			
GOVERNMENT OF PAKISTAN SUPPORT	14	504,553,000	504,553,000
MEMBERS' CONTRIBUTION	15	3,000	3,000
VILLAGE CREDIT POOL		88,053,169	88,053,169
ACCUMULATED SURPLUS		174,952,111	176,725,701
RESTRICTED FUNDS	16	35,608,892	110,463,213
		803,170,172	879,798,083

The report of the auditor is annexed.

The annexed notes 1 to 29 form an integral part of these accounts. 22 NOV 2003

These accounts were approved by the Board of Directors on 22 NOV 2003

ISLAMABAD

22 NOV 2003



DIRECTOR



DIRECTOR



CHIEF EXECUTIVE OFFICER

2003

NATIONAL RURAL SUPPORT PROGRAMME
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2003

	NOTE	2003 Rupees	2002 Rupees
INCOME/ GRANTS			
Profit on investments/ deposits		85,306,617	129,101,015
Funds received	17	180,319,653	301,904,933
HRD training receipts		7,886,538	19,155,844
Credit operations -net financial income	18	60,407,244	40,653,448
Gain/ (loss) on disposal of fixed assets		2,362,011	(80,796)
Other income		2,501,503	13,876,492
Adjustment on account of valuation of donated assets		-	2,200,432
		338,783,566	506,811,368
TRANSFER FROM RESTRICTED FUNDS		74,854,321	2,436,512
TRANSFER FROM/ (TO) DEFERRED GRANTS		569,430	(19,768,974)
		414,207,317	489,478,906
EXPENDITURE			
Operating costs	19	34,732,357	26,216,990
Field operations	20	172,284,995	141,478,121
Programme assistance	21	164,356,993	208,258,199
Provision for doubtful micro credit receivables		42,182,667	50,948,055
Micro credit receivables written off		732,146	480,452
		414,289,158	427,381,817
NET (DEFICIT)/ SURPLUS FOR THE YEAR		(81,841)	62,097,089
TRANSFER TO MICRO CREDIT REVOLVING FUND		(1,691,749)	(621,711)
		(1,773,590)	61,475,378
ACCUMULATED SURPLUS BROUGHT FORWARD		176,725,701	115,250,323
ACCUMULATED SURPLUS CARRIED FORWARD		174,952,111	176,725,701

The annexed notes 1 to 29 form an integral part of these accounts.

ISLAMABAD
22 NOV 2003


DIRECTOR


DIRECTOR



CHIEF EXECUTIVE OFFICER

**NATIONAL RURAL SUPPORT PROGRAMME
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2003**

	2003 Rupees	2002 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Net (deficit)/ surplus for the year	(81,841)	62,097,089
Adjustment for		
Valuation of donated assets	-	(2,200,432)
(Gain)/ loss on disposal of fixed assets	(2,362,011)	80,796
Depreciation	20,599,827	19,348,152
Provision for doubtful micro credit receivables	42,182,667	50,948,055
Micro credit receivables written off	732,146	480,452
Fixed asset written off	499,040	-
Provision for/(reversal of) doubtful receivables	813,395	(32,338)
Amortization of premium on Pakistan Investment Bonds	1,351,336	-
Provision for staff retirement benefits	7,641,923	1,828,540
Interest income	(85,306,617)	(129,101,015)
Financial charges	33,667,406	47,676,477
Transfer from restricted funds	(74,854,321)	(2,436,512)
Transfer (from)/ to deferred grants	(569,430)	19,768,974
	(55,604,639)	6,361,149
(Deficit)/ surplus before working capital changes	(55,686,480)	68,458,238
Increase in stock of projects	(4,348,691)	-
Credit disbursements during the year	(891,017,720)	(587,848,879)
Credit recoveries during the year	671,107,282	552,173,098
Increase in advances, deposits, prepayments and other receivables	(31,234,759)	(2,115,728)
Increase in current liabilities	192,767,973	112,152,463
Net (decrease)/ increase in working capital	(62,725,915)	74,360,954
	(118,412,395)	142,819,192
Financial charges paid	(26,070,254)	(49,212,118)
Staff retirement benefits paid	(26,537,816)	(9,644,888)
<i>Net cash (used in)/ generated from operating activities</i>	(171,020,465)	83,962,186
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed assets purchased	(23,232,373)	(33,196,375)
Proceeds from sale of fixed assets	2,985,592	-
Investments purchased	(322,210,000)	-
Proceed from sale of investments	431,000,000	-
<i>Net cash generated from/ (used in) investing activities</i>	88,543,219	(33,196,375)
CASH FLOW FROM FINANCING ACTIVITIES		
Interest received	80,884,547	129,536,230
Micro Credit Revolving Fund	14,402,000	22,822,000
<i>Net cash generated from financing activities</i>	95,286,547	152,358,230
<i>Net cash generated during the year</i>	12,809,301	203,124,041
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	192,917,474	(10,206,567)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	205,726,775	192,917,474
Cash and cash equivalents comprise the following balance sheet amounts:		
Cash and bank balances	363,289,516	333,134,675
Bank borrowings	(157,562,741)	(140,217,201)
	205,726,775	192,917,474

The annexed notes 1 to 29 form an integral part of these accounts.


DIRECTOR


DIRECTOR



CHIEF EXECUTIVE OFFICER

ISLAMABAD
22 NOV 2003

**NATIONAL RURAL SUPPORT PROGRAMME
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2003**

	Government of Pakistan Support (Rupees)	Members' Contribution (Rupees)	Village Credit Pool (Rupees)	Accumulated Surplus (Rupees)	Restricted Funds (Rupees)	Total (Rupees)
Balance as at 30 June 2001	504,553,000	3,000	88,053,169	115,250,323	112,899,725	820,759,217
Transfer to income and expenditure account	-	-	-	-	(2,436,512)	(2,436,512)
Net surplus for the year	-	-	-	61,475,378	-	61,475,378
Balance as at 30 June 2002	504,553,000	3,000	88,053,169	176,725,701	110,463,213	879,798,083
Transfer to income and expenditure account	-	-	-	-	(74,854,321)	(74,854,321)
Net deficit for the year	-	-	-	(1,773,590)	-	(1,773,590)
Balance as at 30 June 2003	504,553,000	3,000	88,053,169	174,952,111	35,608,892	803,170,172

The annexed notes 1 to 29 form an integral part of these accounts.


DIRECTOR

ISLAMABAD

22 NOV 2003


DIRECTOR

CHIEF EXECUTIVE OFFICER

**NATIONAL RURAL SUPPORT PROGRAMME
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2003**

1. STATUS AND OPERATIONS

National Rural Support Programme (“the company”) is a company limited by guarantee and was incorporated in Pakistan on 02 November 1991 under section 42 of the Companies Ordinance, 1984 having its registered office in Islamabad. The objects of the company are rural uplift, development of land resources and other welfare activities. The company is concentrating in micro credit schemes in the country. Accordingly, income of the company is applied towards its objectives and payment of dividend is prohibited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been consistently applied in dealing with items which are considered material to the company’s accounts:

2.1 Statement of Compliance

These accounts are prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards and other standards as notified in the official gazette subject to the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Accounting convention

These accounts have been prepared under the historical cost convention as modified by the value assessed for certain items donated to the company.

2.3 Fixed assets and depreciation

These are stated at cost or assessed values, as the case may be, less accumulated depreciation. Full year’s depreciation is charged to the income of the year in which assets are purchased while depreciation is not charged in the year in which the assets are disposed off.

Depreciation is charged by applying the straight-line method whereby the cost or assessed values of the assets is written off over their estimated useful lives at the rates specified in note 3 to the accounts.

Major improvements and repairs are capitalized while normal repairs and maintenance is charged to income as and when incurred.

Donated assets are capitalized only when the company’s ownership at the end of the project period can be established with certainty.

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**NATIONAL RURAL SUPPORT PROGRAMME
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2003**

Gains and loss on disposal of fixed assets are taken to income currently.

2.4 Grants

Grants related to assets are accounted for by setting up the grants as deferred income. These grants are recognized as income on a systematic basis over the useful life of the assets.

2.5 Financial support to Village/ Community Organizations

- a) Financial support is provided to Village/ Community organization (COs) in accordance with the criteria established by the company. The cost of such financial support is booked when the company's share of the scheme becomes due for payment.
- b) Loan disbursements from the grant funds, where required under an agreement, are reflected in the accounts by setting up a corresponding credit pool.

Disbursements from non-grant funds are reflected in the accounts by setting-up a receivable account only.

Receivables considered doubtful of recovery are fully provided for.

2.6 Staff retirement benefits

The company operates the following retirement benefits schemes for its employees:

I). Defined contribution plan

The company operates a duly recognized Provident Fund Trust for which the company and the employees contribute equally @ 10 % of basic pay.

II). Defined benefit plan

The company operates a funded severance scheme for its eligible employees.

III). Compensated absences

The company also provides for compensated absences.

The liability under II) and III) above has been determined on the basis of actuarial valuations carried out by using the Projected Unit Credit Method. Significant actuarial assumptions are as follows:

none

**NATIONAL RURAL SUPPORT PROGRAMME
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2003**

Discount Rate	8%
Expected Rate of increase in salary	7%
Average expected remaining working life time of employees	11 years

The company's obligations under the above schemes are charged to income currently. The amount recognized in the balance sheet represents the present value of defined benefits as adjusted for unrecognized actuarial gains and losses and as reduced by the fair value of the Plan assets. The company recognizes actuarial gains/losses above the corridor defined in IAS-19 "Employees Benefits" over the expected future service of the employees.

2.7 Investments

Held to maturity

Investment with fixed maturity, where management has both the intent and ability to hold to maturity are classified as held to maturity and are stated at amortized cost. The resultant change in values is reported directly in the Income and Expenditure account.

2.8 Stock of projects

Stock of seeds is stated at lower of cost or net realizable value. Cost is calculated by using first in first out method.

Property stock is stated at cost.

2.9 Foreign currency transactions

Assets and liabilities denominated in foreign currencies are translated into Pak. Rupees at the rates of exchange ruling on the balance sheet date. Transactions in foreign currencies are accounted for in Pak. Rupees at the approximate exchange rates ruling on the dates of the transactions. Exchange differences are taken to income currently.

2.10 Taxation

The company's income from donations, contributions and profit from investment in securities of the Federal Government are exempted from income tax. Provision is made for other taxable income, if any.

2.11 Revenue recognition

- a) Grants against specific projects are accounted for in accordance with the terms attached to the respective grants.
- b) Service charge on receivables against micro credit is accounted for on accrual basis.
- c) Training receipts are accounted for on accrual basis,
- d) Interest on investments and bank deposits is recognized on accrual basis.

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**NATIONAL RURAL SUPPORT PROGRAMME
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2003**

- e) Return on Defense Saving Certificates, Pakistan Investment Bonds and Term Finance Certificates is recognized on a time proportion basis taking into account the effective yield to maturity or next re-pricing date.
- f) Assets received as donations in kind are accounted for at their assigned values.

2.12 Borrowing costs

All borrowing costs are charged to income as incurred.

2.13 Receivables

Known impaired debts are written off, while debts considered doubtful of recovery are fully provided for.

2.14 Mark-up bearing borrowings

Markup bearing borrowings are recognized initially at cost. Subsequent to initial recognition these are stated at original cost less subsequent repayments.

2.15 Provisions

A provision is recognized in the balance sheet when the company has legal or constructive obligation as a result of past event, it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and the reliable estimate can be made of the amount of the obligation.

2.16 Financial instruments

Financial assets mainly comprise investments, micro credit receivables, advances, other receivables, cash and bank balances. These are stated at their nominal value as reduced by the appropriate allowance for estimated irrecoverable amount.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are bank borrowing loans, provisions, accruals and other liabilities. These are stated at their nominal value.

2.17 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported on the balance sheet if the company has a legal enforceable right to setoff the recognised amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

**NATIONAL RURAL SUPPORT PROGRAMME
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2003**

2.18 Cash and cash equivalents

Cash and cash equivalents include cash and bank balances and short term borrowings for the purpose of cash flow.

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**NATIONAL RURAL SUPPORT PROGRAMME
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2003**

3. FIXED ASSETS

PARTICULARS	Gross book value as at 01 July 2002	Additions/ adjustments/ (deletions) during the year	Gross book Value as at 30 June 2003	RATE %	DEPRECIATION			NET BOOK VALUE AS AT 30 JUNE 2003	
					As at 01 July 2002	Adjustments/ (deletions) during the year	For the year		As at 30 June 2003
Motor vehicles	78,802,723	9,621,615 (5,119,412)	83,304,926	20	46,651,738	(4,388,791)	12,348,588	54,611,535	28,693,391
Furniture and fixtures	13,996,081	2,989,702 (883,819)	16,101,964	10	6,137,806	(600,371)	1,362,814	6,900,249	9,201,715
Office equipment	38,491,409	10,292,122 (2,665,306)	46,118,225	20	27,068,273	(2,556,761)	6,522,122	31,033,634	15,084,591
Telephone exchange	325,000	133,338 (47,400)	410,938	20	242,417	(47,399)	50,809	245,827	165,111
Audio visual equipment	3,897,738	195,596 (209,430)	3,883,904	20	3,261,646	(209,424)	315,494	3,367,716	516,188
2003 RUPEES	135,512,951	23,232,373 (8,925,367)	149,819,957		83,361,880	(7,802,746)	20,599,827	96,158,961	53,660,996
2002 RUPEES	90,188,858	33,196,375 13,742,959 (1,615,241)	135,512,951		53,133,433	11,542,527 (662,232)	19,348,152	83,361,880	52,151,071

3.1 Depreciation charge for the year has been allocated as follows:

	2003 (RUPEES)	2002 (RUPEES)
Operating costs	2,453,230	1,799,698
Field operations	18,146,597	17,548,454
	20,599,827	19,348,152

3.2 The net book value of above assets include Project assets as follows:

(a) Assets with net book value of Rs. 2,569,970 which are liable to be returned back upon completion of the project to the donor.

(b) Assets with net book value of Rs. 14,596,920 held in the joint name of the company and the donor, Pakistan Poverty Alleviation Fund.

NATIONAL RURAL SUPPORT PROGRAMME
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2003

	2003 Rupees	2002 Rupees
4. LONG TERM INVESTMENTS		
Held to Maturity		
Regular Income Certificates	170,000,000	601,000,000
Defense Saving Certificates	10,385,162	9,029,584
Certificate of Investments	106,000,000	-
Certificate of Deposits	50,000,000	-
Pakistan Investment Bonds	162,661,136	-
Term Finance Certificates	5,712,484	-
	<u>504,758,782</u>	<u>610,029,584</u>
4.1 Unrealized gain on remeasurement of held to maturity investments amounting to Rs.7,400,118 (2002 : Rs 2,529,584) is included in profit on investment.		
5 STOCK OF PROJECTS		
Property in stock	1,200,000	-
Seed stock	3,148,691	-
	<u>4,348,691</u>	<u>-</u>
6. MICRO CREDIT RECEIVABLES - UNSECURED		
Opening balance	447,442,287	463,358,541
Disbursements during the year	891,017,720	587,848,879
	<u>1,338,460,007</u>	<u>1,051,207,420</u>
Recoveries during the year	(671,107,282)	(552,173,098)
Receivables written off	(34,698,616)	(51,592,035)
	<u>632,654,109</u>	<u>447,442,287</u>
Less: Provision for doubtful receivables	(71,447,580)	(63,231,383)
	<u>561,206,529</u>	<u>384,210,904</u>
7. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
Advances to staff- Considered good		
- Personal (salary and house rent etc)	2,986,375	2,767,130
- Operational	532,089	201,330
Advances to suppliers- Considered good	1,195,764	242,070
Security deposits	602,770	349,770
Prepayments	4,160,874	3,996,723
Advance tax	7,394,116	6,570,889
Amount receivable on account of cash loss	2,112,187	1,298,792
Service charges receivable	20,780,797	15,392,744
Interest receivable on investments and deposits	4,904,204	5,352,668
Amount receivable from :		
- Punjab Rural Support Programme	6,045,671	6,105,513
- Sindh Rural Support Organization	80,041	-
- Itehad Chemicals Ltd.	24,290,000	-
- United Nations Development Programme	-	1,723,200
- Sarhad Rural Support Corporation	500,922	500,922
- Provident Fund Account	2,261,316	609,045
- Ghazi Barotha Taraqiati Idara	992,267	2,135,330
- Rural Support Programme Network	45,079	640,887
- Khushhali Bank	645,339	964,089
- Barani Village Development Project	10,448,315	10,040,795
- Department For International Development	635,616	-
- Others	1,057,214	1,992,764
	<u>91,670,956</u>	<u>60,884,661</u>
Less: Provision for doubtful receivables	(2,112,187)	(1,298,792)
	<u>89,558,769</u>	<u>59,585,869</u>
7.1 This represents unsubscribed balance of Term Finance Certificates.		

NATIONAL RURAL SUPPORT PROGRAMME
 NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED 30 JUNE 2003

	2003 Rupees	2002 Rupees
8. CASH AND BANK BALANCES		
Cash in hand	4,413,000	5,323,412
Cash at bank:		
- in current accounts	42,244,809	55,208,298
- in PLS accounts	101,057,202	79,001,901
- in deposit accounts	215,574,505	193,601,064
	358,876,516	327,811,263
	<u>363,289,516</u>	<u>333,134,675</u>

9. BANK BORROWINGS - SECURED

These represent financing obtained from the following banks:

	<i>Note</i>	Sanctioned Limit Rupees	2003 Rupees	2002 Rupees
Habib Bank Ltd.	9.1	75,000,000	22,446,416	12,172,643
First Women Bank Ltd.	9.2	50,000,000	18,116,325	128,044,558
Bank Al-Falah Limited	9.3	117,000,000	117,000,000	-
		<u>242,000,000</u>	<u>157,562,741</u>	<u>140,217,201</u>

- 9.1 The running finance facility from Habib Bank Limited amounting to Rs. 75 million is secured by pledge over Regular Income Certificates. Mark-up is payable on quarterly basis. This facility was obtained @ 8% (2002 : 10.5-14%) per annum for the company's micro credit programme.
- 9.2 The facility was obtained for the company's urban programme and is secured by pledge over Regular Income Certificates. Mark-up is payable on quarterly basis. This facility carries markup @ 8% (2002 : 10.4-14%) per annum.
- 9.3 The facility is secured by pledge over Pakistan Investment Bonds and Defense Savings Certificates. Mark-up is payable on maturity. This facility carries markup @ 3.9% (2002 : Nil) per annum.

	2003 Rupees	2002 Rupees
10. LOANS, PROVISIONS, ACCRUED AND OTHER LIABILITIES		
Salaries payable	1,013,578	1,290,100
Accrued liabilities	4,347,859	5,387,475
Accrued interest on secured loans	13,436,135	5,838,983
Withholding tax payable	331,800	255,121
Loans for credit disbursement from:		
- Pakistan Poverty Alleviation Fund (PPAF)	429,815,117	269,018,042
- DG Khan Rural Development Project (DGKRD)	80,780,000	48,600,000
	510,595,117	317,618,042
Other liabilities	2,294,240	1,263,883
	<u>532,018,729</u>	<u>331,653,604</u>

- 10.1 These loans are obtained for the company's micro credit programme and are secured against micro credit sub loans created/ financed from the proceeds of the loans. These loans carry interest ranging from 6 % to 10 % per annum. Loan from PPAF is repayable on quarterly basis. In the management's intention loan from DGKRD will be repaid within one year.

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NATIONAL RURAL SUPPORT PROGRAMME
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2003

	2003 Rupees	2002 Rupees
11. DEFERRED LIABILITIES FOR STAFF RETIREMENT BENEFITS		
Amount recognized in income and expenditure account against severance scheme		
Current service cost for the year	4,776,996	4,574,621
Interest cost	2,035,434	1,805,136
Effect of application of IAS-19	-	(2,911,598)
Charge for the year	<u>6,812,430</u>	<u>3,468,159</u>
Movement in the net liability recognized in the balance sheet against severance scheme		
Opening balance	18,891,367	20,962,960
Charge for the year	6,812,430	3,468,159
Benefits paid	(3,252,085)	(5,539,752)
Amount paid to fund	(21,000,000)	-
Closing balance	<u>1,451,712</u>	<u>18,891,367</u>
Amount recognized in the balance sheet against severance scheme		
Fair value of plan assets	(21,000,000)	-
Present value of defined benefit obligation	22,356,764	20,354,337
Benefits due but not paid	257,704	-
Unrealised actuarial losses	(162,756)	(1,462,970)
	<u>1,451,712</u>	<u>18,891,367</u>
Provision for compensated absences	6,032,430	7,488,668
	<u>7,484,142</u>	<u>26,380,035</u>
12. MICRO CREDIT REVOLVING FUND		
Amount received from International Labour Organization	402,000	-
Service charges recovered	10,664	-
	12.1 412,664	-
Amount received from Barani Village Development Project	42,000,000	28,000,000
Service charges recovered	2,315,140	634,055
	12.2, 12.3 44,315,140	28,634,055
	<u>44,727,804</u>	<u>28,634,055</u>

12.1 This micro credit revolving fund is generated against amount received from International Labour Organization for onward disbursement to community and includes full amount of service charges recovered .

12.2 This micro credit revolving fund is generated against amount received from Barani Village Development Project for onward disbursement to community organizations and includes service charges @ 6.5 % of principal amount recovered .

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**NATIONAL RURAL SUPPORT PROGRAMME
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2003**

13. CONTINGENCIES AND COMMITMENTS

During the year a special audit of Agriculture Development Component of the Swabi Salinity Control and Land Reclamation Project (ADC/SSP) for the period since inception to 30 June 2002 was carried out. The auditors have identified certain operational issues in the report. The management is of the view that these issues will have no impact on the project or the company. In addition the company has lodged a claim of Rs. 30,310,805 for management fee against ADC/SSP.

Commitment to community organizations in respect of physical infrastructure schemes at the year end amount to Rs. 52.02 million (2002 : Rs. 52.01 million)

14. GOVERNMENT OF PAKISTAN SUPPORT

	2003 Rupees	2002 Rupees
Amount received from :		
- Tameer-e-Watan Programme	4,553,000	4,553,000
- Government of Pakistan	500,000,000	500,000,000
	<u>504,553,000</u>	<u>504,553,000</u>

The amount of Rs. 500 million has been received against the Government of Pakistan's total commitment of Rs. 1,000 million towards implementation of a nation wide programme for rural support.

15. MEMBERS' CONTRIBUTION

This represents members' contribution received in accordance with the Memorandum of Association of the company.

NATIONAL RURAL SUPPORT PROGRAMME
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2003

16. RESTRICTED FUNDS

	UNICEF PROJECT Rupees	SWABISCARH PROJECT Rupees	ILO PROJECT Rupees	BVDP PROJECT Rupees	ACTION AID PROJECT Rupees	DGKRDP PROJECT Rupees	RSPN PROJECT Rupees	PPAF PROJECT Rupees	2003 Rupees	2002 Rupees
Revenue	1,240,324	-	4,294,195	26,278,000	1,782,646	19,837,828	1,000,000	91,211,112	145,644,105	273,727,124
Expenses incurred during the year	(1,822,249)	(1,114,329)	(6,286,220)	(25,495,030)	(1,680,823)	(16,031,015)	(30,100)	(157,703,749)	(210,163,515)	(253,909,406)
Capital expenditure	-	-	(361,706)	-	(78,000)	(2,669,900)	-	(7,409,039)	(10,518,645)	(28,196,635)
Other income	5,584	54,500	25,927	-	4,491	-	-	-	90,502	5,534,561
	(1,816,665)	(1,059,829)	(6,621,999)	(25,495,030)	(1,754,332)	(18,700,915)	(30,100)	(165,112,788)	(220,591,658)	(276,571,480)
(Deficit)/ surplus for the year	(576,341)	(1,059,829)	(2,327,804)	782,970	28,314	1,136,913	969,900	(73,901,676)	(74,947,553)	(2,844,356)
Transferred from un-restricted funds	-	-	-	-	-	93,232	-	-	93,232	407,844
	(576,341)	(1,059,829)	(2,327,804)	782,970	28,314	1,230,145	969,900	(73,901,676)	(74,854,321)	(2,436,512)
Opening balance	241,910	5,295,116	1,735,415	9,100,000	545,470	340,279	-	93,205,023	110,463,213	112,899,725
Balance as at 30 June	(334,431)	4,235,287	(592,389)	9,882,970	573,784	1,570,424	969,900	19,303,347	35,608,892	110,463,213

NATIONAL RURAL SUPPORT PROGRAMME
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2003

	2003 Rupees	2002 Rupees
17. FUNDS RECEIVED		
Agriculture Development Component / Swabi Scarp Project	-	11,718,441
Northern Education Project	906,474	814,954
Learning for Life (UK)	2,010,818	5,519,776
Pakistan Poverty Alleviation Fund	91,211,112	214,989,169
Heart File	325,387	279,986
Bahawalpur Rural Development Project	-	3,441,400
D.G.Khan Rural Development Project	19,837,828	18,422,241
Action Aid Pakistan	1,782,646	2,983,293
Canadian International Development Agency (CIDA)	-	518,502
IRUDP Khushal Pakistan	-	10,000,000
UNICEF	3,569,971	892,530
Barani Village Development Project	47,111,488	28,574,791
Sugar Cane Productivity Enhancement Project	4,748,249	1,669,800
Consultative Group for Assistance to the Poorest	2,339,437	-
District Government	1,182,048	-
Rural Support Programme Network	1,000,000	-
International Labour Organization	4,294,195	2,080,050
	<u>180,319,653</u>	<u>301,904,933</u>
18 Credit operations -net financial income		
Service charges	94,074,650	88,329,925
Less: Interest on short term borrowings	33,667,406	47,676,477
	<u>60,407,244</u>	<u>40,653,448</u>
19. OPERATING COSTS		
Salaries, wages and other benefits	19,932,105	13,326,806
Staff travel	1,298,311	1,177,518
Communications	1,024,242	1,393,906
Vehicle operations and maintenance	2,143,050	1,852,923
Office supplies	138,366	171,160
Meetings and conferences	200,400	243,370
Rent	2,279,331	2,122,084
Insurance	28,996	-
Repairs and maintenance	615,279	624,205
Printing and stationery	829,292	944,254
Bank charges	453,129	333,171
Auditors' remuneration	602,000	341,500
Depreciation	2,453,230	1,799,698
Utility charges	535,950	642,205
Legal and professional charges	506,150	888,790
Amortization of premium on Pakistan Investment Bonds	1,351,336	-
Miscellaneous	341,190	355,400
	<u>34,732,357</u>	<u>26,216,990</u>

19.1 Gross remuneration to the Chief Executive during the year was Rs. 2.46 million (2002: Rs. 1.77 million).

19.2 This includes charge of Rs. 2.29 million (2002: Rs. 3.05 million) in respect of staff retirement benefits.

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NATIONAL RURAL SUPPORT PROGRAMME
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2003

		2003 Rupees	2002 Rupees
20. FIELD OPERATIONS			
Salaries, wages and other benefits	20.1	84,557,399	68,023,744
Staff travel		10,917,642	9,276,038
Communications		4,944,593	4,016,082
Vehicle operations and maintenance		22,891,449	19,536,274
Office supplies		2,794,501	2,024,698
Meetings and conferences		960,655	751,298
Rent		9,547,512	7,236,045
Insurance		-	133,863
Repairs and maintenance		1,672,207	1,775,002
Printing and stationery		5,150,973	4,040,927
Bank charges		674,869	476,558
Depreciation		18,146,597	17,548,454
Utility charges		4,276,031	3,565,153
Legal and professional charges		1,058,460	684,650
Fixed asset written off		499,040	-
Provision for doubtful receivables		813,395	-
Receivables written off		752,174	-
Miscellaneous		2,627,498	2,389,335
		<u>172,284,995</u>	<u>141,478,121</u>

20.1 This includes charge of Rs. 9.03 million (2002: Rs. 15.95 million) in respect of staff retirement benefits.

21. PROGRAMME ASSISTANCE

Physical Infrastructure Schemes	123,510,204	165,623,296
Training	35,703,072	34,377,092
Natural Resource Management	1,495,267	2,570,329
Social Sector Services	1,507,175	2,515,208
Technical assistance	308,100	263,928
Community organizations' management and documentation	1,833,175	2,908,346
	<u>164,356,993</u>	<u>208,258,199</u>

22. During the year due to an attack at the company's Regional Office, Turbat supporting documents of vouchers amounting to Rs. 1.65 million and fixed assets having net book value of Rs. 0.5 million were destroyed. Legal proceedings have been initiated and management has significantly reproduced the accounting records.

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NATIONAL RURAL SUPPORT PROGRAMME
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2003

23. INTEREST RATE RISK EXPOSURE

The information about the company's exposure to interest rate risk based on contracted refinancing or maturity dates whichever is earlier is as follows:

	2003 Rupees			Total	Interest Rate (%)
	Less than one year	Over one year	Non-Interest bearing		
Financial assets					
Long term investments	122,163,620	382,595,162	-	504,758,782	7.4%-18%
Advances and receivables	-	-	76,808,015	76,808,015	-
Micro credit receivables	561,206,529	-	-	561,206,529	20%-30%
Cash and bank balances	316,631,707	-	46,657,809	363,289,516	1.5%-9.5%
	1,000,001,856	382,595,162	123,465,824	1,506,062,842	
Financial liabilities					
Bank borrowings -secured	157,562,741	-	-	157,562,741	3.9%-8%
Loans, provisions, accrued and other liabilities	510,595,117	-	21,423,612	532,018,729	6%-10%
Staff retirement benefits	-	-	7,484,142	7,484,142	
	668,157,858	-	28,907,754	697,065,612	
Excess of financial assets over financial liabilities.	331,843,998	382,595,162	94,558,070	808,997,230	
2002 Rupees					
	Less than one year	Over one year	Non-Interest bearing	Total	Interest Rate (%)
Financial assets					
Long term investments	431,000,000	179,029,584	-	610,029,584	15-18%
Advances and receivables	-	-	48,776,187	48,776,187	-
Micro credit receivables	384,210,904	-	-	384,210,904	20%
Cash and bank balances	272,602,965	-	60,531,710	333,134,675	2.5%-11.5%
	1,087,813,869	179,029,584	109,307,897	1,376,151,350	
Financial liabilities					
Bank borrowings -secured	140,217,201	-	-	140,217,201	10.4%-14%
Loans, provisions, accrued and other liabilities	317,618,042	-	14,035,562	331,653,604	6-10%
Staff retirement benefits	-	-	26,380,035	26,380,035	
	457,835,243	-	40,415,597	498,250,840	
Excess of financial assets over financial liabilities.	629,978,626	179,029,584	68,892,300	877,900,510	

**NATIONAL RURAL SUPPORT PROGRAMME
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2003**

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of financial instruments is not significantly different from their book value as shown in these accounts.

25. CONCENTRATION OF CREDIT RISK

Credit risk represents the loss that would result if counter parties fail to perform as contracted. The company controls its credit risk by the following methods:

- a) Social and moral pressure of community members.
- b) Ascertainment of credit worthiness of loanees.
- c) Monitoring of debt on a continuous basis.
- d) Proper follow-up.

The management of the company believes that it is not exposed to major concentration of credit risk.

26. TAXATION

The company's income tax assessments have been finalized upto the financial year 2000-2001 and no demand was determined by the Income Tax Department.

27. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise directors and key management personnel and associated companies. The nature of relationship with associated companies is explained below. Transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

	2003 Rupees	2002 Rupees
Expenses incurred on behalf of related parties	263,594	496,406
Grant received	1,000,000	-
Payments made on behalf of related parties	-	55,980
Employees' retirement benefits transferred to related parties	66,654	-
Advances given to staff of related parties	-	105,000
Training	2,171,820	5,317,921
Contribution to Provident Fund Trust	3,781,610	3,247,817
Payment to Staff Severance Fund	21,000,000	-

The following are the company's related parties due to common directorship.

Rural Support Programme Network
Punjab Rural Support Programme
Ghazi Barotha Taraqiati Idara
Sarhad Rural Support Programme
Pakistan Water Partnership
Sindh Rural Support Organisation

The company continues to have a policy whereby all transactions with related parties are entered into arms' length basis.

**NATIONAL RURAL SUPPORT PROGRAMME
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2003**

	2003 Numbers	2002 Numbers
28. NUMBER OF EMPLOYEES		
Number of employees at the end of the year were as follows.		
a) Management	15	15
b) Professional	231	211
c) Support	170	205
d) Auxiliary	232	236
	648	667

These include 247 (2002 : 354) employees of projects whose contract of service are for the duration of respective projects.

29. GENERAL

29.1 Figures have been rounded off to the nearest rupee.

29.2 Corresponding figures have been re-arranged, wherever necessary, for purposes of comparison.

ISLAMABAD


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DIRECTOR



DIRECTOR



CHIEF EXECUTIVE OFFICER

Board of Directors, 2001-03

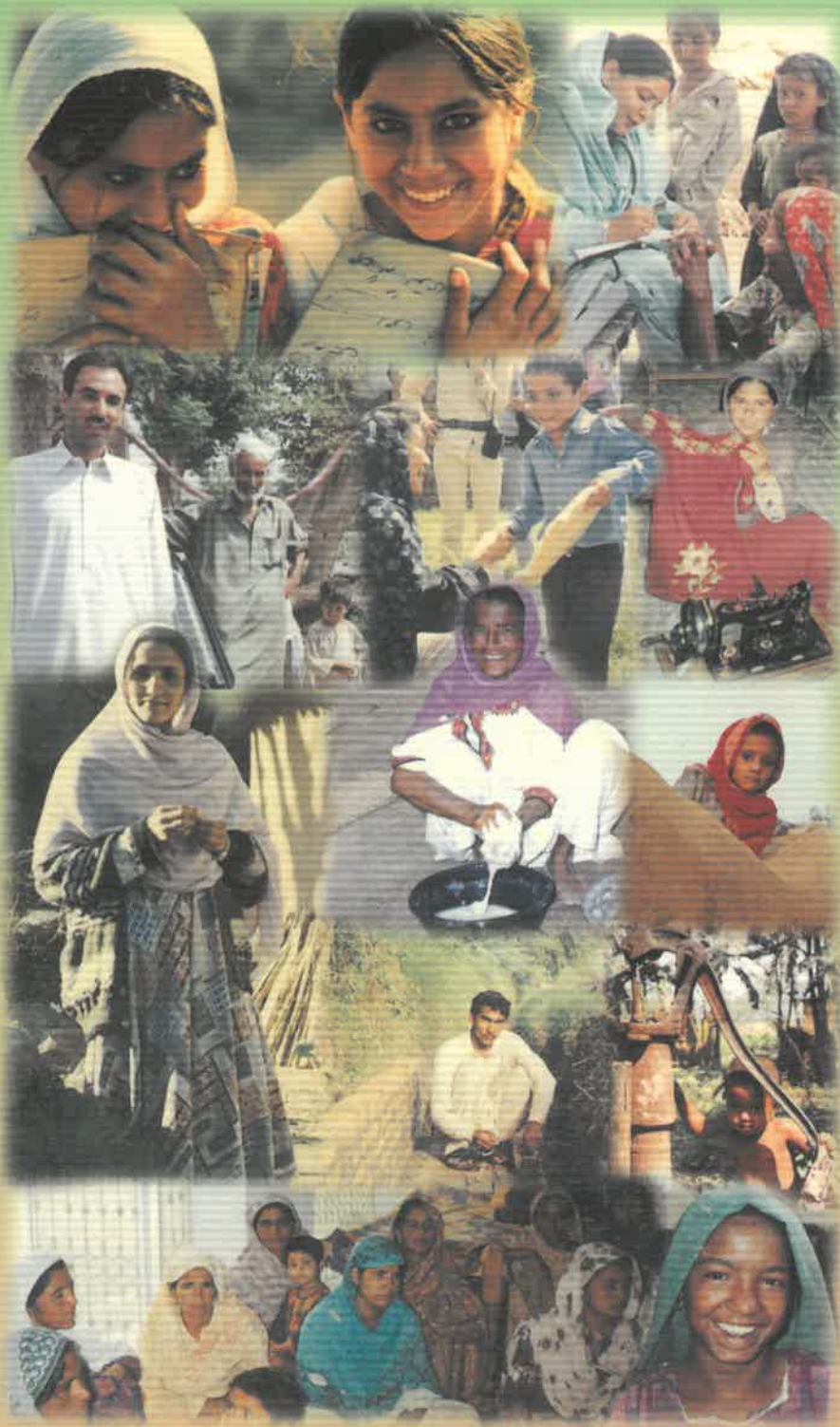
Mr. Shoaib Sultan Khan, Chairman	Mr. Tariq Masud
Mr. Ejaz A. Naik	Mr. Pervaiz Masud
Cdr. A.A. Neseem	Mr. Safdar Hussain Kazmi
Mr. M. Azam Khan	Ms. Kishwar Naheed
Mr. Fazlullah Qureshi	Dr. Humayun Khan
Mr. Bashir Ahmed	Mr. M. Nazar Memon
Mr. Arshad Zaman	Mrs. Rasheeda Hussain
Mr. Sikandar Hayat Jamali	Dr. Arifa Anwar
Dr. Zafar Altaf	Mrs. Mehtab Akbar Rashdie
Mr. Syed Babar Ali	

Ex-officio Directors
Secretary Ministry of Finance
Secretary Ministry of LG&RD
Secretary P&D Division
Dr. Rashid Bajwa, CEO

Annexure A: Government and private agencies providing technical or financial support to COs.

Government of Pakistan
Government of Punjab
Ministry of Health
Department of Health, Punjab
Department of Education
National Agriculture Research Institute
Pakistan Agriculture Research Centre
Poverty Alleviation Programme
IFAD
Pakistan Agricultural Research Council
National Agricultural Research Centre
Learning for Life
Jamal Din Wali Sugar Mills
Haroon Oils Ltd.

The following Vocational Training Centres:
National Staff Training Institute, Islamabad
National Institute of Science and Technical Education, Islamabad
Technical Training Institute, Islamabad
National Training Development Institute, Islamabad
IQRA Vocational Training Institute, Islamabad
New Pak Technical Training Institute, Rawalpindi
Islamabad Tailoring College, Islamabad
Asian Technical Training Institute, Rawalpindi
Technical Training Center, Turbat
Technical Training Center, Gwadar
Technical Training Center, Hyderabad
Technical Training Institute, Bahawalpur
Technical Training Center, Peshawar
Women's Technical Training Center, Hyderabad
Madar-e-Millat Technical Training Center, Rawalakot
Capital Driving Center, Islamabad



National Rural Support Programme

46, Agha Khan Road, F-6/4, Islamabad, Pakistan

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Email: info@nrsp.org.pk Web Site: <http://www.nrsp.org.pk>